

2008/09



ANNUAL REPORT



ANNUAL REPORT 2009

FOR THE YEAR ENDED 30 JUNE 2009

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COAT OF ARMS RATIONALE

Kannaland Municipality is named after a plant called 'kanna' in Khoi. Indigenous to our area, this is a lush, low-growing succulent that is commonly known as Kanna, Canna, or Kougoed (which means chewable or something to chew). Kanna has been used by the Hottentot people throughout history to improve frame of mind.

The logo of Kannaland Municipality includes the following elements:



The kanna flower, unique to our district and after which our district is named



A light green swoosh, representing Route 62 on which we are situated, as well as our embracing of the community

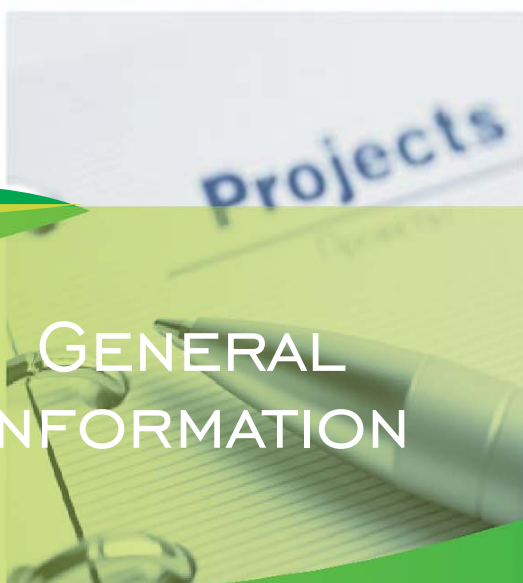


The K symbol, reinforcing our name and our bond to the community

The use of shades of green reflects the vegetation that surrounds us in our lush river valleys, highlights the vital importance of sensitivity to environmental and ecological issues in our area, and indicates our commitment to growth and productivity.

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GENERAL INFORMATION

FROM THE OFFICE OF THE EXECUTIVE MAYOR

Kannaland Partners, it is my privilege to publish my first Annual Report to the communities of Kannaland.

At the start of the 2008/09 financial year, Kannaland Municipality expressed its desire for an Improved Quality of Life for its communities. Despite adverse circumstances we have succeeded in improving our position. Political and Administrative leadership have ensured:

- 1 Good financial management and control.
- 2 A productive labour force that strives toward discipline, honesty and fairness in its daily operations.
- 3 Accelerated service delivery.
- 4 Effective customer service of a high standard.
- 5 Good governance.

We as Municipal Partners with the community can bring about significant change in Kannaland. Our main focus is Life-changing upliftment which can be achieved only with the total commitment and support of all communities working together to ensure communal success.

We acknowledge the roles played by fellow Councillors, Management and personnel, and their contributions during 2008/09. My thanks to those responsible for the compiling and publishing of this Annual Report.



*N I Valentyn
Executive Mayor*

UIT DIE KANTOOR VAN DIE UITVOERENDE BURGEMEESTER

Kannaland Vennote, dis vir my 'n groot voorreg om vir die eerste keer die Jaarverslag te doen aan die Breër Kannaland.

Kannaland Munisipaliteit het aan die begin van die Finansiële Boekjaar 2008/2009 aan sy gemeenskap 'n Beter Lewe vir almal uitgespreek. Deur moeilike omstandighede het ons Kannaland in 'n beter posisie geplaas. Die Politiek en Administrasie Leierskap het gesorg vir die volgende:

1. Goeie Finansiële bestuur en kontrole
2. Produktiewe werksmag wat dissipline, eerlikheid en geregtigheid na streef

3. Versnelling van dienslewering
4. Hoë standaarde en effektiewe Kliëntediens
5. Goeie regering.

Ons as Munisipaliteit en Vennote wat die Gemeenskap is, kan groot verandering bring in Kannaland. Ons fokus is op Lewensverandering in Kannaland mits u as totale Gemeenskap saam werk.

Hiermee wil ek erkenning gee aan die Bestuur en mede Raadslede vir dit wat hulle ingesit het vir 2008/2009. Ek wil ook my dank uitspreek teenoor hulle wat die verslag voorberei het.

MUNICIPAL MANAGER'S MESSAGE

Kannaland Municipality continues to face major challenges regarding financial viability and sustainable service delivery.

These challenges arise from two main sources, being primarily an economically deprived region with limited growth potential combined with inadequate management resources together with severely restricted financing capacity to acquire the necessary operational finance and development capital to enable the Municipality to provide efficient and cost-effective services.

However, we are committed to addressing these shortcomings, given the support of all stakeholders concerned in the governmental and service delivery processes.

I am pleased to report that the necessary support programmes are in place to assist us to control and monitor the progress being made in Kannaland.

R28,25 million in revenue has been raised for the financial year in review and R26,80 million has been collected. The above-mentioned collection rate represents 95% and includes a significant quantum of arrears debt. Current debt collection in rural areas such as Zoar remains a severe challenge which requires innovative approaches to service delivery and consumption management.

The year under review has again been one of the most productive years of Kannaland Municipality and I am privileged to report on successes and challenges regarding projects initiated and / or completed by the various departments of the Municipality.



K.R De Lange
Municipal Manager

Projects completed

- **Appointment of staff:** We have appointed a number of skilled artisans, professional and semi professional staff members to improve both service delivery and administrative capacity. Staff sourcing remains a major challenge.
- **General Valuation:** The General Valuation of all properties was completed in terms of the Property Rates Act with the new Valuation Roll being implemented from July 2009.
- **Staff Training:** A number of administrative personnel have undergone intensive training to improve work methods and customer care services.
- **Integrated Development Plan:** The IDP for 2008/09 was completed and submitted to and approved by Council during May 2008.
- **SDBIP:** The service delivery budget and implementation plan was compiled in terms of the Municipal Finance Management Plan, workshopped with Management and the Council and approved within the required time frames.

MUNICIPAL MANAGER'S MESSAGE

- **Performance Management System:** The system has been introduced by Management in order to comply with legislation and related policies.
- **Employment Equity Plan:** The plan was updated as required by the Act and the report was submitted to the Department of Labour within the prescribed timeframe.
- **Annual Financial Statements:** The annual Financial Statements were compiled and submitted to the Auditor General's Office within days of the prescribed date.
- **Budget 2009/10:** The budget was compiled and submitted to Council, Provincial and National Treasury in terms of the MFMA. The 2008/09 mid-year adjustments budget was also adopted according to prescription.
- **Tarring of Roads:** The upgrading of dirt roads in Nissenville million has been successfully completed at a cost of R7,2m.
- **Renovation of Damaged Buildings:** A significant number of houses in Zoar have been renovated as part of a project managed by Eden DM at an estimated project cost of R18m.
- **Construction of Pavements:** A pedestrian walkway from Nissenville to the Hospital was constructed by the Department of Public Works at a cost of R2,2m.
- **Funding for New Purification Plant in Vanwyksdorp:** The Belgian Government financed a new water purification plant for Vanwyksdorp at a cost of R0,95m.

Kannaland Municipality was also fortunate to be selected by SIDA (Swedish International Development Agency), as one of two preferred pilot sites in the country, for a series of economic and social development initiatives, based on their confidence in Kannaland's management and leadership capability.

The municipality is proud to be a major contributor to the success of the following social and cultural events in the region:

1. Ladismith Cheese Seweweekspoort Mountain bike Challenge



DIE OORSPRONKLIKE RESEP

2. Kannaland Eco Festival



MUNICIPAL MANAGER'S MESSAGE

3. Calitzdorp Port Festival



The municipality contributed a total amount of R100,000 toward the successful staging of the above-mentioned cultural activities.

Insufficient State funding is a major challenge for municipalities to enable them to meet their service delivery responsibilities to communities and governance prescriptions of the State.

This reduces the economic impact that the municipality otherwise could have on the local community, which hampers our ability to address the ever-increasing poverty levels and increased demand for indigent benefit subsidies, which places severe strain on our Equitable Share funds.

4. Towerkop Sleepover Rally



My sincere appreciation and gratitude goes to our Councillors, especially the Executive Mayor, the Deputy Mayor and the Speaker, as well as municipal personnel for their dedicated support, without which these results could not have been realised.

MUNICIPAL MANAGER
K.R. DE LANGE



OVERVIEW: KANNALAND MUNICIPALITY

Introduction

Kannaland Municipality includes the areas and functions of the former Ladismith, Calitzdorp, Zoar and Van Wyksdorp Local Councils, as well as certain rural areas of the former Transitional Representative Councils. Both the administrative and legislative seats of Kannaland Municipality are situated in Ladismith.

The name Kannaland was derived from the Kanna plant or *Salsola aphylla* (River Ghana) which is indigenous to this region. Kannaland Municipal area lies between two mountain ranges, the Swartberge and Anysberg

Demographic Profile

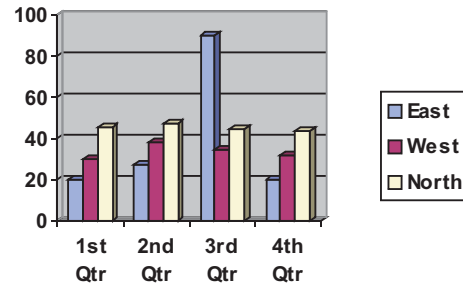
It is critical to understand the population dynamics of a particular regional economy and the associated municipalities. This facilitates spatial and other planning, budgeting and policy formulation for the provision of development and infrastructure such as basic services including housing, human settlements, medical and educational facilities etc This includes both the natural population increase and the impacts of net migration.

The Kannaland LM demographic profile resembles that of Eden DM in terms of the age cohort proportion of the total population. The 0-14 and 15-34 age cohorts account for 60 per cent, while the 35-64 and 65 plus accounts for 40% of the population.

Kannaland host 5 per cent for each of the age cohorts 0-14, 15-34 and 35-64 years and 6,0 per cent of the elderly within Eden. Given the youthful nature of the population (more than 64% of the share of total population), education, health, and in particular employment provision should be made a priority.

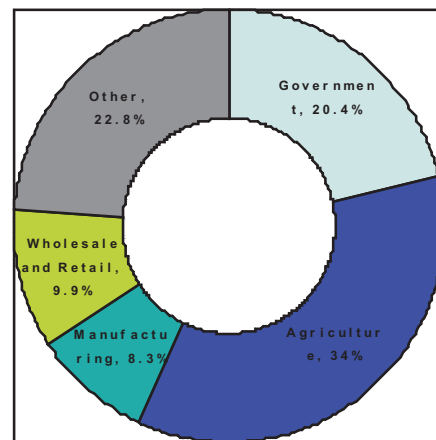
Given the youthful nature of the population [more than 64% of the share of the total population], education, health, and in particular employment provision should be made a priority.

Kannaland LM population pyramid 2006



Socio-economic Profile

- There are 29,270 people residing in Kannaland
- 6,072 Households are found, with the average household size of 4 people per household.
- 69% of the households live in urban areas.
- More than half the population is female (51%).
- A population growth rate of 0.94% has been experienced over the past 5 years, however, a negative population growth of – 1.98% is predicted for the next 25 years.
- Economically active group constituting 86.15%
- Kannaland's local economy grew at an average rate of 1.3% between 1995 – 2004.
- 90% of the households earn less than R12,800 per annum.
- The Dependency ratio is 2 people for each employed person.
- Agriculture, Government and Trade is an important contributor to the GGP of the region can be seen alongside:



OVERVIEW: KANNALAND MUNICIPALITY

Access to Services

- The majority of the households have access to piped water in their dwellings 55.8% while 26.2% satisfy their needs with piped water on site.
- There is insufficient bulk water supply for Kannaland.
- 2% of the households, most living in Zoar, are using bucket systems
- Most households have access to telephones and postal services.
- Roads are on average in a good condition.
- Erosion is the main problem on the gravel roads (Zoar and Van Wyksdorp).
- The communities of Kannaland already have access to electricity, especially within the urban areas.

Social Infrastructure

- 1 Hospital (in Ladismith) and clinics are spread throughout the region, except Van Wyksdorp.
- Educational facilities are spread throughout the area, however the teacher pupil ratio is high, 1:50 on average.
- Sports facilities are within easy reach, but they need upgrading and maintenance.
- Recreation facilities in the form of community halls also need upgrading and maintenance.
- Magistrate Courts are located in both Calitzdorp and Ladismith.
- Crime is relatively low.

Housing

- The majority of the population (76%) live in formal structures.
- According PIMSS IDEA 2001, 4.1% of the households live in informal and traditional houses.
- The number of people on the housing waiting list is 1,551.
- The expressed housing need in terms of the Provincial Housing Development Plan is 426 units.

Spatial and Land Use

- The Kannaland Municipality is situated in Ladismith approximately 161 km from George and is approximately 4,750km² in extent.
- The area is divided into 5 wards (1 rural and 4 urban).
- Kannaland has the most fertile agriculture soil in the Western Cape with a high grass income per hectare .
- The area is also graced with one of the most scenic environments in the country and as a consequence is a much favoured tourism destination.
- Ladismith and Calitzdorp are the main urban centres.
- The highest population concentration is found in urban areas.



OVERVIEW: KANNALAND MUNICIPALITY

Crime levels

Crime Category	Ladismith April 2006 to March 2007	Calitzdorp April 2006 to March 2007	Ladismith April 2007 to March 2008	Calitzdorp April 2007 to March 2008	Ladismith April 2008 to March 2009	Calitzdorp April 2008 to March 2009
Murder	7	5	12	6	9	2
Attempted murder	0	1	0	4	1	0
Rape	24	14	16	9	39	11
Indecent assault	6	6	8	5		0
Assault with the intent to inflict grievous bodily harm	147	99	119	89	123	71
Common assault	172	125	152	135	167	83
Common robbery	3	1	5	1	7	0
Robbery with aggravating circumstances	2	1	3	0	0	0
General aggravated robbery (subcategory of aggravated robbery)	2	1	3	0	0	0
Carjacking (subcategory of aggravated robbery)	0	0	0	0	0	0
Truck hijacking (subcategory of aggravated robbery)	0	0	0	0	0	0
Robbery at residential premises (subcategory of aggravated robbery)	0	0	0	0	0	0
Robbery at business premises (subcategory of aggravated robbery)	0	0	0	0	0	0
Robbery of cash in transit (subcategory of aggravated robbery)	0	0	0	0	0	0
Bank robbery (subcategory of aggravated robbery)	0	0	0	0	0	0
Arson	2	0	2	0	0	1
Malicious damage to property	64	39	76	42	52	37
Burglary at residential premises	86	58	71	68 + 6 Att	84	54 + 1Att
Burglary at business premises	26	30	24	33 + 5 Att	27	31 + 1 Att
Theft of motor vehicle and motorcycle	6	1	2	0	8	1 Att
Theft out of or motor vehicle	15	11	16	5 + 2 Att	15	7 + 3 Att
Stock-theft	16	3	14	13	13	15
Illegal possession of firearms and ammunition	4	2	7	0	7	0
Drug-related crime	197	85	215	74	200	106
Driving under the influence of alcohol or drugs	35	12	39	12	45	25
All theft not mentioned elsewhere	117	61	115	62	140	84
Commercial crime	8	0	8	0	7	1
Shoplifting	19	2	10	3	13	6
Culpable homicide	6	4	6	5	7	2
Kidnapping	0	0	0	0	0	0
Abduction	1	0	0	0	0	0
Neglect and ill-treatment of children	5	1	4	0	5	0
Public violence	0	0	0	0	1	0
Crimen injuria	6	24	6	27	8	9

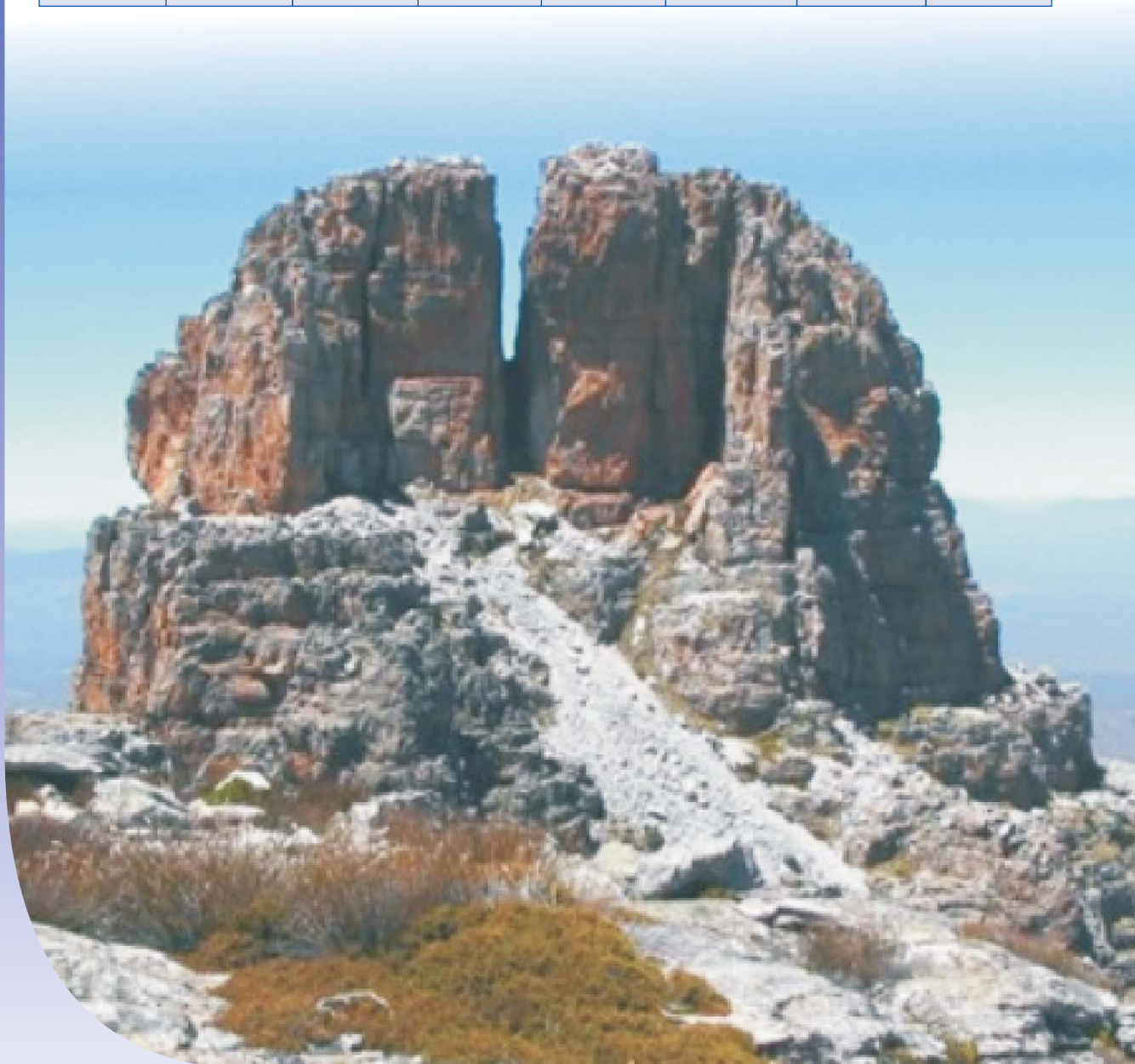
OVERVIEW: KANNALAND MUNICIPALITY

Demographic information

Number of Households	Total Population	African	Coloured	Indian	White
6,156	26,467	659	22,362	24	3,422
	100%	2.49%	84.49%	0.09%	12.93%

Socio-economic Information

Housing backlog (2004)	Unemployment rate(%)	Proportion of house-holds with no income (%)	Skills prop. of pop. – low skilled employ. (%)	HIV/AIDS prevalence 2005 (%)	People older than 14 years illiterate (%)	Total number of cases reported (2004/ 2005)	Urban/ rural household split
500	13.6%	6.7%	57%	2.1%	40%	2,580	53/37



EXECUTIVE SUMMARY

Vision

The Vision “To create the ideal environment in which the people of Kannaland would like to live and work. “To be the Place of Choice”.

Mission

The mission Kannaland Municipality is:

- Encouraging self-reliance.
- Ensuring co-ordination and collaboration of various stakeholders in the delivering of development in an integrated and sustainable manner.
- Promoting a healthy and vibrant community with high moral standards.
- Unlocking the development potential of the area, particularly tourism and indigenous knowledge and mobilising investment because of uniqueness.
- Ensuring that everyone will be active in the economy and utilise technology to our advantage.
- Attracting and keeping highly skilled workforce and ensuring that literacy and numeracy levels are above average.
- Enabling all communities to have access to basic services and land.
- Ensuring a safe, healthy and secure environment.
- Caring for our vulnerable communities.
- Promoting gender equity and developing our youth as our future asset.
- Being a government accountable to its community.

Strategic Objectives

In order to achieve its vision, Kannaland Municipality has accepted the following strategic objectives to:

- Plan proactively and respond functionally and productively to the challenges and constraints of its vision and mission.

- Promote viable local economic activities and employment generation as one of corner-stones of local Government and poverty reduction.
- Identify, harness and utilise resources to stimulate the economy and create job opportunities.
- Capacitate Councillors and staff members to perform the duties effectively.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Promote a safe and healthy environment.

Sustainable Service Delivery

Kannaland Municipality is committed to focus on:

- Transformation
- Integration
- Sustainability
- Quality of live
- Co-operative Governance
- Community Participation

Chapter 2 relates to Governance and Inter Governmental Relations

Chapter 3 relates to Development Planning of the Municipality

Chapter 4 relates to services provided by the Municipality

Chapter 5 includes all personnel related activities at the Municipality and this Chapter serves to interpret the data produced in the financial report.

Chapter 6 deals with financial and non-financial information on the various Municipal functions with specific reference to services delivery.

Chapter 7 deals with the Functional Service Delivery Reporting

NOTES

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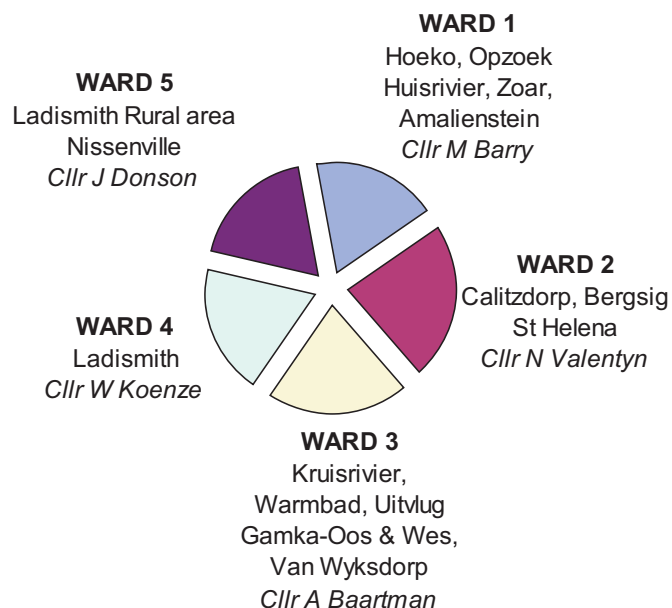
GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

GOVERNANCE AND INTER-GOVERNMENTAL RELATIONS

Ward Committees

Five Ward Committees have been established in the Kannaland area.

The Ward Committees are represented and chaired by the following Ward Councillors.



Councillor profile (during reporting period)

NAME OF COUNCILLOR	PARTY	CAPACITY	WARD/ PROPORTIONAL COUNCILLOR	S 80 COMMITTEE
NI Valentyn	NPP	Mayor	Ward 2	• Administration
AA Ewerts	NPP	Deputy Mayor	Proportional councillor	• Administration • Technical
A Baartman	NPP	Councillor	Ward 3	• Finance
E Johannes	NPP	Councillor	Proportional councillor	• Administration • Technical
M Barry	ANC	Speaker	Ward 1	• Administration
CE Adams	ID	Councillor	Proportional councillor	• Technical
J Donson	ICOSA	Councillor	Ward 5	• Finance
WC Koenze	DA	Councillor	Ward 4	• Technical
L Willemse	DA	Councillor	Proportional councillor	• Finance

GOVERNANCE AND INTER-GOVERNMENTAL RELATIONS

Top management profile (during reporting period)

NAME OF MANAGER	CAPACITY	MAIN FUNCTIONS
K R De Lange	Manager: Municipal Manager	Strategy Overall municipal management
BT Lalor	Director: Chief Financial Officer	Financial Services Property tax administration
J Van Heerden	Director: Corporate Services	Administration corporate services Traffic services Library services Vehicle testing centre Human Resources Disaster Management Administration community services Buildings and public land Environmental services Parks and Open spaces Sport facilities
JL Herfurth	Director: Technical Services	Holiday resorts Administration Engineering services Proclaimed main roads Water and Sanitation services Streets and storm water Refuse removal and cleaning services

Participation in IGR structures

During the year under review, councillors and staff attended the following forums:

Name of structure	Participation of municipality	Attended by	Value obtained
Provincial Advisory Forum (PAF)	Yes	Executive Mayor and Municipal manager	Improved provincial coordination
Provincial Advisory Forum -Technical (PAFTECH)	Yes	Municipal manager	Improved provincial coordination
District Advisory Forum (DIF)	Yes	Executive Mayor and Municipal manager	Improved district coordination
District Advisory Forum – Technical (DIFTECH)	Yes	Municipal manager	Improved district coordination
IDP forum	Yes	IDP manager	Clarification of IDP related matters
Municipal managers Forum	Yes	Municipal manager	Positive solutions for generic challenges Best practice sharing Provincial coordination

GOVERNANCE AND INTER-GOVERNMENTAL RELATIONS

Communication Strategy

The municipality will during the new financial year focus on the development of a communication strategy to enhance our internal and external communication processes. This will include investigations into document flow systems, as well as customer care.

Public participation

Ward	Committee Established	Names of Ward Committee members	Institution represented / Area	Number of meetings during 2008/09
Ward 1: Consists of the following areas: Hoeko Opzoek Huisrivier Zoar	Yes	Councillor M Barry	Chairperson	4
		H Conradie		
		WM Nel		
		WM Opperman	Schools	
		HD Ruiters	Zoar Youth Council	
		C Johannes	Sport & Culture	
		H Konstabel	Zoar Agri Culture Organisation	
		J Uithaler		
		SF Botes		
		JR Jacobs	Sand Farmers Union	
		B Hess	Health and Welfare Forum	
		R Claassen	CDW	
		CE Adams	Councillor	
Ward 2: Consists of the following areas: Bergsig Calitzdorp St Helena	Yes	Councillor N Valentyn	Chairperson	4
		W Benjamin	Rugby	
		R Messias		
		S Jansen	Youth	
		E Ewerts	Advice Office	
		M Valentyn	ANC	
		J Claassen		
		S Meyer	Sport	
		PI Van Rensburg	Tourism Buro	
		WS Ludolph		
		HL Britz	CDW	
		AA Ewerts	Councillor	
Ward 3: Consists of the following areas: Kruisrivier Warm Bad Gamka Oos and Wes VanWyksdorp	Yes	Councillor A Baartman	Chairperson	4
		J Malgas	Farm Workers	
		J Tarentaal		
		S Meiring		
		C Pretorius		
		E Johannes		
		J Timmie		
		E Fouie	Agri Culture Organisation	
		R Michelin		
		D Esau		
		V Bosman		
		S Dickens	CDW	
		M Joon	CDW	

GOVERNANCE AND INTER-GOVERNMENTAL RELATIONS

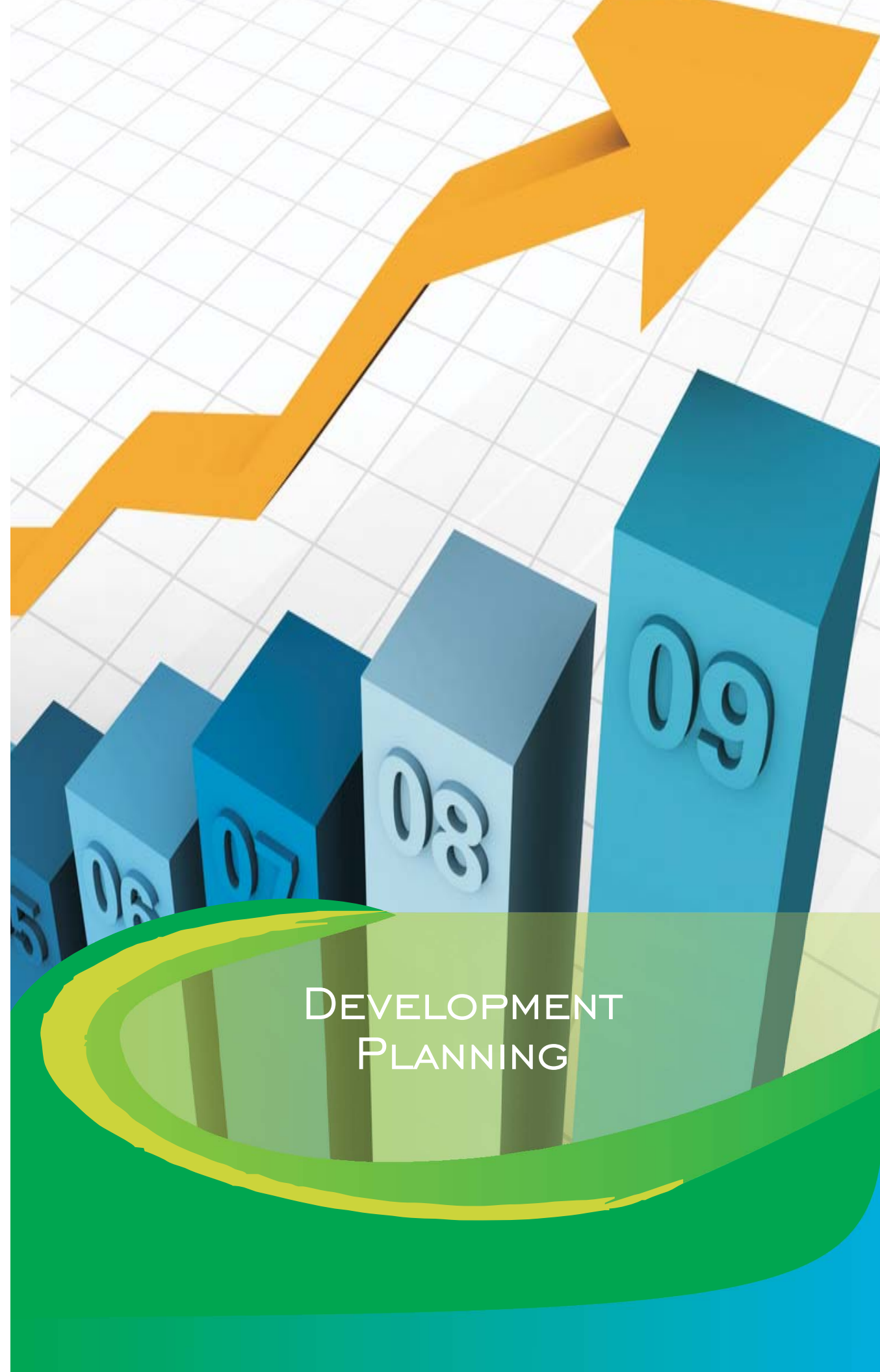
Ward	Committee Established	Names of Ward Committee members	Institution represented / Area	Number of meetings during 2008/09
Ward 4: Consists of the following areas: Ladismith	Yes	Councillor WC Koenze	Chairperson	4
		H Weymar	Tourism Buro	
		JG Muller	Business Chamber	
		H Spamer	ATKV	
		M Smuts	Skietklub	
		A Van Der Vyver	Golf Club	
		S Steyn	Alan Blyth Hospital	
		HC Kotze		
		PD Greef		
		S Kotze		
		SA Walters		
		J Smit		
		L Willemse	Councillor	
		R Claassen	CDW	
Ward 5: Consists of the following areas: Dankoord and Nissenville Voorbaat Algernyskraal	Yes	Councillor J Donson	Chairperson	4
		B Kotze	Agri	
		LE Grange Volschenk	Agri	
		Denzil Rademeyer	Youth Forum	
		N Fortuin	Marius Fransman Day Care	
		R Januarie		
		C Oosthuizen		
		F Plaatjies		
		PJ Rooi		
		A Swart		
		A Aslie		
		CDB Jonathan	GOM	
		G Hess	CDW	
		G Barry	CDW	

Internal Audit

Chartered accountants were appointed to analyze the risks related to the municipality and to develop an internal audit plan. A Service provider was recently appointed to execute the internal audit plan and the municipality will in future report on the activities of our internal audit team.

Performance Management System

This is a critical management tool aimed at ensuring that municipal employees deliver on the Municipal Integrated Development Plan



DEVELOPMENT PLANNING

The quality of life of the Western Cape's communities and that of Kannaland Municipality in particular and its future generations will most certainly depend on the ability of the municipality to deliver on its constitutional mandate in the context of the developmental state. This ability depends on the synergy in co-operation between the different spheres of government¹ and the ways and means adopted to ensure public participation².

The aim of this section is to, by virtue of measurement, draw attention to the existence of these comprehensible linkages between the spheres of government. These linkages need to be considered individually and collectively by all government institutions in planning and implementation to inform and direct activities. An imperative for this kind of co-operative governance is a solid working relationship between role players which is often overlooked or not attained within the various planning processes concluded

The planning and implementation of activities by government are informed from beyond the confines of the institution and consequently need to be receptive towards community needs and perceptions. This involves a dedicated approach by government institutions towards communication and participation that centres on continuity and trust. The inception of planning should be an agreement on a visionary position between the community and government with the latter responsible for the execution (in part) of responsibilities towards fulfilment of the agreement.

Strategic vision, mission and goals

The vision statement of the Municipality indicates a desire to create a liveable area in which all can prosper. This then is dissected into more tangible components (see tables below) that correspond with the developmental goals of Ikapa Elihlumayo but simultaneously allow for interpretation beyond the local government function and responsibility.

The following matrix alludes to the relationships within the visionary statement:

Component	Reference to		Function
	Institution	Jurisdiction	Responsibility
Encouraging self-reliance	Yes	No	Full
Ensuring co-ordination and collaboration between stakeholders	No	Yes	Shared
Promote a healthy and vibrant community	No	Yes	Shared
Unlocking the development potential of the area	No	Yes	Shared
Ensuring that everyone will be active in the economy	No	Yes	Shared
Attracting and keeping a highly skilled workforce and ensuring that literacy and numeracy levels are above average	No	Yes	Shared
Enabling all communities to have access to basic services	Yes	No	Full
Ensuring a safe, healthy and secure environment	No	Yes	Shared
Caring for our vulnerable communities	No	Yes	Shared
Being a government accountable to its communities.	Yes	No	Full

¹ as promoted in Section 41 of the Constitution

² according to Chapter 6 of the Municipal Systems Act, 2000 (Act 32 of 2000).

DEVELOPMENT PLANNING

The colour coded blocks indicate an exclusive municipal function while the other components are performed through partnerships between role players or as single entities within a specific legislative obligation.

Alignment with national and provincial goals

The following table illustrates the alignment of Kannaland visionary in relation to the National, Provincial and Regional statements.

National Institutional Indicators			Provincial Development Indicators
• Municipal transformation and organizational development	☺	☺	Broadening economic participation Investing in efficient connectivity infrastructure
• Basic Service Delivery	☺	☺	Creating liveable communities
• Local Economic Development	☺	☺	Fostering resilient and creative communities
• Municipal Financial Viability and Management	☺	☺	Nurturing a culture of tolerance and mutual respect
• Good Governance and Public Participation	☺	☺	Creating and protecting effective governance institutions
• Municipal transformation and organizational development	☺	☺	
Regional Goals and Objectives			
Good governance through institutional transformation, intergovernmental co-operation and public consultation	☺		
Develop appropriate regional economy	☺		
Create an enabling social environment that ensures safe, healthy and vibrant communities	☺		
Ensure an effective and affordable service and infrastructure delivery	☺		
Develop human and social capital	☺		
Sustain Eden environment through resource conservation, good land-use practices and people-centred planning.	☺		

Integrated Development Planning process

The essence of development planning as performed by local government must be to deliver on community-driven goals through the application of appropriate methods within a capacity framework originating from and created within available resources.

The Municipal Systems Act, 2000 provides in the requirement to create a single, inclusive and strategic plan the method by which local government can become the custodian of local development planning. Again, by virtue of measurement, the current state of affairs with regard to the adoption and application of this method and the effect on co-operative governance is determined.

DEVELOPMENT PLANNING

The following table gives an indication of the compliance to legislative requirements with regard to the formulation of an Integrated Development Plan.

Was IDP approved by Council and implemented ☺	yes
Is the approved IDP seen as the single, inclusive and strategic plan for the municipality ☺	yes
Was the IDP prepared within set timeframes ☺	yes
Does the IDP include all core components (MSA) ☺	yes
Were community needs prioritised at ward level ☺	yes
Was the SDF approved (date) prior to IDP approval by Council ☺	(May) 2007
Did the LGMTEC engagements effect any changes in your draft IDP ☺	no

The Kannaland Municipality does conform to all requirements and it can be assumed that sound implementation of the proposals as stipulated in the IDP, should result in gigantic strides towards attaining the visionary statement. The IDP contains all core components as per Section 26 of Act 32 of 2000.

The Provincial Department offered assistance to draft the IDP due to limited resources at the municipality. The department assisted with the development of the IDP up to a certain phase where after it was completed in-house and workshopped with the community as part of the budget public participation program.

Main considerations during IDP process

The main consideration during our IDP process relates to the approved projects which addresses and reflects the changing needs of the public, the officials and the Council. The biggest consideration will always be the availability of sufficient funds within the municipal budget for a specific year. The other considerations during the 2008/09 IDP process were as follows:

- Provision of basic services
- Prioritisation per ward
- Funding available

District process

Ongoing co-ordination between the different spheres of government is important for successful implementation of the IDP. The IDP of Kannaland Municipality must flow logically into the IDP of the Eden District Municipality. This process is facilitated by the Eden District Municipality IDP Forum on which all their local municipalities are represented.

The IDP Framework determines that the IDP process on both district and local level should take cognizance of the policy and principles for integrated development in the Eden, which was agreed upon during a workshop for the Interim IDP process, and that these overarching goals and outcomes will only be terminated should a new IDP process specifically indicates the necessity of such a step. That particular policy and principles, jointly debated by and decided on by councillors, heads of departments and senior staff members of both the district municipality and the local municipalities, were endorsed by a process of public participation.

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SERVICE DELIVERY

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

MUNICIPAL SERVICE DELIVERY

Services

A Basic Service is a service which gives access to clean drinking water in conjunction with effective sanitation and refuse removal. Access roads to the dwellings must be able to carry the traffic necessary to ensure that these services are properly provided. Storm water drainage must cope with the actual and potential storm water runoff from areas upstream and from within the town, discharging into natural watercourses. Electricity should be provided through an economical distribution system able to meet the expected demand at acceptable levels of safety and reliability, while maintaining voltage within statutory limits.

The following key trading services are rendered by the Municipality.

Electricity

Overview

Kannaland Municipality retails Eskom electricity to two towns, being Ladismith and Calitzdorp. The rural areas, Zoar and Vanwyksdorp are supplied directly by Eskom.

Electricity is readily available to Ladismith and Calitzdorp inhabitants. The first 50 units are provided free in the urban areas, while Eskom is paid a free basic services subsidy to provide a similar quantum in the rural areas.

Provision of Electrical Services

The Electrical Engineering Section delivers an electrical service to 2,758 households and 336 businesses.

Electrical Engineering's main functions are the maintenance of its reticulation networks, consisting of 400V Low voltage and 11kV high voltage networks and providing end users with safe, cost effective electricity.

The Kannaland's electricity consumers are mainly categorised as follows:

• Households	3,625 (Excluding Eskom)
• Business	203
• Large consumers	15
• Agriculture	17
• Educational	8
• Hospitals	1
• Municipal	29

Kannaland has the following types of electrical supply services:

Calitzdorp

- Overhead connection with prepayment meter or credit meters
- Underground cables with credit meters to businesses and manufacturers
- Underground connection with prepayment meters

Ladismith

- Overhead connection with credit or pre-payment meters
- Underground connection with credit meters
- Underground connection with prepayment meters
- Overhead connection with credit or pre-payment meters
- Underground cables with credit meters to businesses and manufacturers.

Challenges

The age of the electrical equipment, lack of maintenance and lack of funding has caused response to callouts and electrical repairs takes too long and should be reduced to industry norms. Maintenance and new installation stock should increase to accommodate these demands.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Water

Overview

Kannaland Municipality is the designated Water Services Authority in its demarcated municipal area. The Water Services Act, (No. 108 of 1997) sets out the duties for those responsible for providing water services. The Act requires the Water Services Authority to take responsible measures to realise the constitutional right of access to a basic water supply and sanitation.

A basic water supply comprises of the following:

- The provision of appropriate education in respect of effective water use;
- A minimum quantity of potable water of 25 litres per person per day;
- At a minimum flow rate of 10 litres per minute;
- Not further than 200 metres from a household; and
- Not more than 7 days interrupted supply to any consumer per year.

Provision of water

Projected Water Demand based on Population Estimates (DWAF, 1999)

Year	2000	2005	2010	2015	2020	2030
Million m ³ /a	0.42	0.46	0.51	0.57	0.62	0.76

Average Annual Consumption

Town	Ladismith	Zoar	Calitzdorp	Vanwyksdorp	Total
Million m ³ /a	0.9	0.56	0.32	0.12	1.9

Average Annual Water Supply Capability

Town	Ladismith	Zoar	Calitzdorp	Vanwyksdorp	Total
Million m ³ /a	0.959	0.573	0.383	0.151	2.066

Service Reservoirs as Follows:

Town	Ladismith	Zoar	Calitzdorp	Vanwyksdorp	Total
kL	12,500	2,250	250	1,415	17,499

Almost 58% of the population of Kannaland has water in their dwellings whilst 31.8% have water on their plots. The rest collect water from taps within 200m of their dwellings, or by the use of boreholes, springs, rainwater tanks and other alternatives.

Kannaland distributes treated water to 7,393 consumers, of which 6,757 or 91% receives the first 6,000 litres used per household per month are free of charge.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Challenges

Actual demand for water is much higher than the 1999 census projections. Ladismith needs increased water storage capacity. An investigation is under way with the intention of prioritising this project at the earliest opportunity. Construction on the second phase of the water treatment plant at Ladismith will start shortly.

Vanwyksdorp has no water treatment works. A consulting engineer is currently tasked with investigations to submit a comprehensive plan to address the local water needs.

The water treatment plant is operational but further improvements should be investigated to ensure continuous water delivery to Zoar.

The existing water infrastructure of Kannaland is old and upgrading is essential to ensure minimal water losses. Rust has built up to the extent that blockages occur, asbestos pipes are weakened and breakages occur daily. The network design is no longer adequate due to the expansion of the municipal area over the past few years. Replacement of conventional water meters with pre-paid meters is in progress.

Water sources are limited in the Kannaland area. It is imperative that proper planning and management of water resources is ensured at all times. Various water management groups in the area assist in this process.

Sanitation

Overview

Kannaland Municipality is a Water Services Authority and hence is obliged to deliver sanitation services.

Some 70% of domestic supply of water returns to the sewage system from toilets, bathroom, kitchen and laundry waste. Growing use of domestic appliances, such as washing machines and dishwashers, is one reason why domestic per capita consumption is increasing by $\pm 1.0\%$ per year. Population growth and demand for housing are contributing factors which put a further burden on sanitation service delivery.

All buckets in Zoar has been eradicated. The latter will significantly enhance the quality of life of the people concerned. Introducing a water borne sewage system will protect the aquifers from pollution, and borehole water will be of a higher quality.

Kannaland has three treatment plants, consisting of oxidation pond systems in Calitzdorp and Zoar, and a combination biological and oxidation pond system in Ladismith. Kannaland renders services to 4,021 sewage points.

Provision of sanitation services

The sewage purification plant in Ladismith is in sub-par condition due to the lack of qualified operations and maintenance personnel. Only ad hoc maintenance has been executed on the plant. The current effluent flow to the river is at variance with the prescribed standard.

The system at Calitzdorp is functioning adequately. Qualified personnel are lacking hence the grids at the primary pump station and the oxidation ponds are not adequately cleared.

There are dwellings in Vanwyksdorp with internal pit latrines which are unacceptable and should be addressed swiftly. The rest of the dwellings make use of septic tank systems, which in turn pollute the aquifers in the area.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Sanitation (Waste Water Management)

OPERATING BUDGET (REVENUES AND EXPENDITURE)			
Expenditure/Income Item	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
Salaries and Allowances	385,940	438,050	627,520
General Expenses	76,880	111,270	417,320
Repairs and Maintenance	212,300	300,330	230,260
Finance Cost	342,820	362,470	235,080
Contribution to Provisions	536,380	1,573,120	0
Total Expenditure	1,554,320	2,785,240	1 510 180
Sewerage Fees	(3,276,240)	(3,358,100)	(3,825,800)
Equitable Share Grant	0	(420,050)	(1,753,020)
Minus : Free Basic Services	0	0	907,830
Total Income	(3,276,240)	(3,778,150)	(4,670,990)
Net (Surplus)/Deficit	(1,721,920)	(992,910)	(3,160,810)

Financial Year	Housing %	Water %	Sanitation %	Refuse Removal %	Electricity %	Streets & Storm Water %	Community facilities %
2006/2007	0	0	96	96	11	131	0
2007/2008	42.4	0.8	112.6	2.8	13.0	3.4	2.7
2008/2009							

Challenges

- **Ladismith Waste Water Treatment Works:** The current works is old and is being operated over its original design capacity. A new works is thus needed, but this will unfortunately be very expensive and funding is problematic.
- **Solid Waste Removal:** The Calitzdorp and van Wyksdorp sites are unlicensed and must be closed. This will require the extension of the Ladismith and Zoar sites and the transport of the Calitzdorp and van Wyksdorp waste to them.
- **Roads:** Some roads, such as those in Nissenville, Bergsig and Zoar are in very poor condition, whilst van Wyksdorp does not have any tar roads and dust is a problem.
- **Water:** Kannakland is a water scarce area and water a scarce resource. A number of our water reticulation systems are in poor condition and water losses are as a consequence unacceptably high.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Solid Waste Disposal

Overview

The South African Constitution (Act No. 108 of 1996) is the supreme law of the country. The Constitution states that the people of South Africa have the right to an environment that is not detrimental to human health and imposes a duty on the state to promulgate legislation and to implement policies to ensure that this right is

upheld. In addition to the Constitution, a number of Government statutes are relevant to waste management at Local Government level. Hence, the responsibility for refuse removal, refuse dumps, and solid waste disposal has been assigned to Local Government.

Settlements are divided into the following categories:

Settlement type	Short description
Urban	Formal TLC's
Dense Settlements	Dense, Unproclaimed settlements. Formal and Informal
Villages	Less dense, Informal Unproclaimed Settlement.
Scattered Settlements	Low-density, Scattered Informal Settlement
Farmland	Farmland and Privately held land.

Service categories been divided into the following:

Service category	Service aspects considered
Refuse collection and removal	Waste generation, collection system, collection equipment personnel, medical and hazardous waste. Mining industry obvious needs.
Street cleaning	Regularity of service, equipment, personnel, obvious need
Dumping Site	Waste generation, collection and transportation, person Equipment, landfill operation, garden refuse sites, obvious needs.

Kannaland's licensed waste disposal site is situated at Ladismith while Calitzdorp, Vanwyksdorp and Zoar have temporary or transit sites. Waste is to be transported from the storage sites to the Ladismith landfill site. The implementation of a regional landfill site system is still in the planning stages, but should ultimately assist Kannaland with waste management needs.

Provision of Solid Waste Disposal Services

Accurate records of waste collection and disposal are not kept at any disposal sites. Estimated waste generation quantities are:

Town	Estimated population (2008)	Total estimated waste generation in t/day business domestic (Kg/p/day)	Total estimated waste generation/p/p/d (Kg/p/day)
Ladismith	9,451	11.3	1.2
Calitzdorp	8,157	6.1	0.75
Zoar	7,768	5.8	0.75
Vanwyksdorp	647	0.5	0.75
Rural Areas	11,872	5.9	0.5

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Waste collection services:

Area	Number domestic service points	Number commercial service points	Number stands not serviced	Type of service/ frequency	Receptacles
Calitzdorp	1360	17	None	Weekly	Plastic Bags
Ladismith	2600	28	None	Weekly	Plastic Bags
Vanwyksdorp	350	3	None	Once every two weeks	Plastic Bags
Zoar	1370	7	None	Weekly	Plastic Bags

The Municipality does not render garden refuse and building rubble removal services. The public is responsible for the disposal of own garden refuse and building rubble.

Illegal dumping does occur, but is not a major concern to the Municipality.

Kannaland provides waste removal services to 5,748 collection points but does not employ any waste minimisation strategies.

A tractor and trailer have been used for waste collection purposes. The equipment is not sufficient to operate the landfill sites properly. Due to the lack in resources, waste covering is irregular and windblown litter is a major concern.

Solid Waste Disposal (Refuse Removal)

OPERATING BUDGET (REVENUES AND EXPENDITURE)			
Expenditure/Income Item	2006/2007 (R)	2007/2008 (R)	2008/2009 (R)
Salaries and Allowances	808,570	1,120,700	1,209,090
General Expenses	183,080	343,310	367,790
Repairs and Maintenance	93,350	109,000	181,200
Finance Cost	0	0	0
Contribution to Provisions	210,200	326,110	332,000
Total Expenditure	1,295,200	1,899,120	2,090,080
Refuse Removal Income	(2,746,540)	(2,916,870)	(3,413,630)
Equitable Share Grant	0	0	(1,455,840)
Minus : Free Basic Services	0	0	981,420
Total Income	(2,746,540)	(2,916,870)	(3,888,050)
Net (Surplus)/Deficit	(1,451,340)	(1,017,750)	(1,797,970)

Challenges

Personnel need to be placed at the refuse sites to control access and monitor payment for the disposal of garden refuse and building rubble. The licensing of all refuse sites in the municipal area is prescribed by law and

requires urgent attention to normalise waste management in the area or find alternatives as part of the regional waste management strategy.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Roads and Storm Water Drainage

Overview

Roads are a major contributor to the economic activity and development in an area. Road surface quality has a major impact on economic growth, tourism opportunities and damage to deciduous fruit exports from the area. Local infrastructure is deteriorating and there are significant maintenance backlogs. Rural transport linkages have been identified as one of the major problem areas in this region.

The regional Integrated Transport Plan is to be compiled by Eden District Municipality (EDM) in its capacity as planning authority.

Kannaland's primary public transport corridor is the R62, connecting Ladismith, Zoar and Calitzdorp. Further to the west, the R62 connects Ladismith to Barrydale and the Breede River Valley. The R323 connects Ladismith to Riversdale to the south. The R327 is a gravel road connection to Vanwyksdorp.

Provision of Transport, Roads and Storm Water Services

- Of a total of 89,9km roads, 47,38km is surfaced and 42,6km is unsurfaced.
- The replacement value of the roads network in Kannaland amounts to approximately R30m.
- Approximately 5.9% or 2,72km of the road network is in a poor or very poor condition.

From the above it appears that Kannaland's roads network is in relatively good condition. Current budget constraints will impact negatively on our ability to maintain the roads network in an acceptable condition.

Patching of surfaced roads could not prevent rain storms from forming new holes, an indication of the deteriorated condition of these roads. Gravel on unsurfaced roads was washed away in recent floods. A survey of gravel roads indicates a total volume of 25,830m³ gravel needs to be replaced. The storm water drainage systems must be upgraded and properly maintained to prevent gravel surface erosion.

Public transport operations in the municipal area:

- Taxi Ranks: One formal rank located in Ladismith
- Number of trips per day: 11
- Number of operators: 12
- Number of unique vehicles surveyed: 18
- Number of passengers a day: 155
- Number of routes: 7

Route descriptions

Kannaland's specified routes start and end at the Ladismith taxi rank:

- Route 694
Zoar – Ladismith 40km
- Route 729
Ladismith - Algernyskraal 40km
- Route 730
Ladismith - Van Zylsdamme 60km
- Route 731
Assegaaibos - Ladismith 90km
- Route 740
Karooldands (Zoar) - Ladismith 40km
- Route 746
Bruintjieshoogte - Ladismith 60km
- Route 747
Van Zylsdamme - Ladismith 60km

All of these routes can be described as rural, as they link Ladismith to the surrounding hamlets, villages and farms. None of the routes terminate outside the municipal area.

There is no public transport service in the municipal area other than those provided by minibus-taxis. No parallel and competing services therefore occur in the Kannaland area. The average waiting time for passengers is generally quite long, due to the rural nature of the services and the fact that the vehicles usually only depart when full. Ladismith operators have contracts with the Department of Education to transport learners to and from schools in the rural areas.

Challenges

The main objective is to improve services, to upgrade roads and storm water drainage in the area, and to have taxis running between towns on a regular basis.

SERVICE DELIVERY

(BACKGROUND ON SERVICES PROVIDED BY THE MUNICIPALITY)

Pedestrians have little regard for moving traffic because of poor pavement conditions. Repairing and proper maintenance of pavements and pedestrian walkways will minimise the danger of road traffic disasters.

Provision of basic services

Number of households that do not have access to basic infrastructure services

Name of area:

- Ladismith
- Vanwyksdorp
- Zoar
- Calitzdorp

Details of backlogs of the specific areas:

- Ladismith 789
- Calitzdorp 735
- Zoar 271
- Vanwyksdorp 161

The amount needed to address backlogs:

- Ladismith R29 mil
- Calitzdorp R27 mil
- Zoar R10 mil
- Vanwyksdorp R6 mil

Timing when backlog will be addressed:

- 330 Calitzdorp Farmhouses (2009/2010)
- 271 Zoar Houses (2010/2011)
- 360 Calitzdorp Houses (2009/2010)
- 789 Ladismith Houses (2011/2012)
- 161 Vanwyksdorp Houses (2011/2012)

Number of households that gained access to different municipal services during the past two municipal financial years:

Type of service	2005/06	2006/07	2007/2008
Housing	2,770	3,153	368
Water	5,706	6,089	1,180
Sanitation (upgrading from bucket)	4,677	5,429	1,027
Refuse removal	3,711	4,094	368
Electricity	4,929	5,292	422

Challenges with regards to service delivery and addressing of the backlogs as well as possible solutions for the municipality should be included in this section.

Percentage (%) of capital budget spent on each service.

Financial Year	Housing	Water	Sanitation	Refuse Removal	Electricity	Streets & Storm Water	Community facilities
	%	%	%	%	%	%	%
2006/2007	0	0	96	96	11	131	0
2007/2008	42.4	0.8	112.6	2.8	13.0	3.4	2.7

Percentage (%) of Capital Budget spent

Financial year	% of Capital budget spent	Reasons for under spending
2008/2009		Improved performance backed by DBSA Development Fund 'Siyenza Manje' Capacity Building Task Force
2008/2009	48%	Improved performance backed by DBSA Development Fund and additional money received from MIG

Municipal Infrastructure Grant (MIG):

MIG Financial Year	Available Funding (R)	Amount Spent (R)	% Spent
2006/2007	3,818,000	3,282,000	86
2007/2008	14,261,000	14,261,000	100
2008/2009	4,298,000	4,298,000	100

The MIG under spending in the 2009/2010 financial year is for the completion of the Bergsig roads projects and MIG flood damage

Provision of free basic services (District municipalities should provide the information for the DMA's)

Spending priorities

Year	Budget (R)	Actual (R)	% of budget allocated
2005/2006	35,357,000	40,059,000	113.3
2006/2007	52,227,000	67,765,000	129.7
2007/2008	52,933,700	51,305,500	96.9
2008/2009	62,796,100	55,044,700	87.7

NOTES

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INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

Overview

The Human Resources Management function includes all personnel related Activities at the Municipality and this chapter serves to interpret the data produced in the functional report.

Institutional Structure

The Institutional Structures of Kannaland Municipality is divided into two levels, namely the Political and the Administrative Structure.

The Administration is accountable to the Political Structure.

Political Structure

The principalship of the Political Structure lies with the Municipal Council listed below are the committees that assist Council in carrying out its responsibilities and mandates:

Standing Committees:

- Financial Services
- Corporate Services
- Technical Services

The Committees listed above are established in terms of the Section 79 and 80 of the Municipal Structure Act No 117 of 1998 as amended.

Administrative Structure

The principalship of the Administrative Structure lies with the Municipal Manager who administers the institution with departments and various units reporting directly to him.

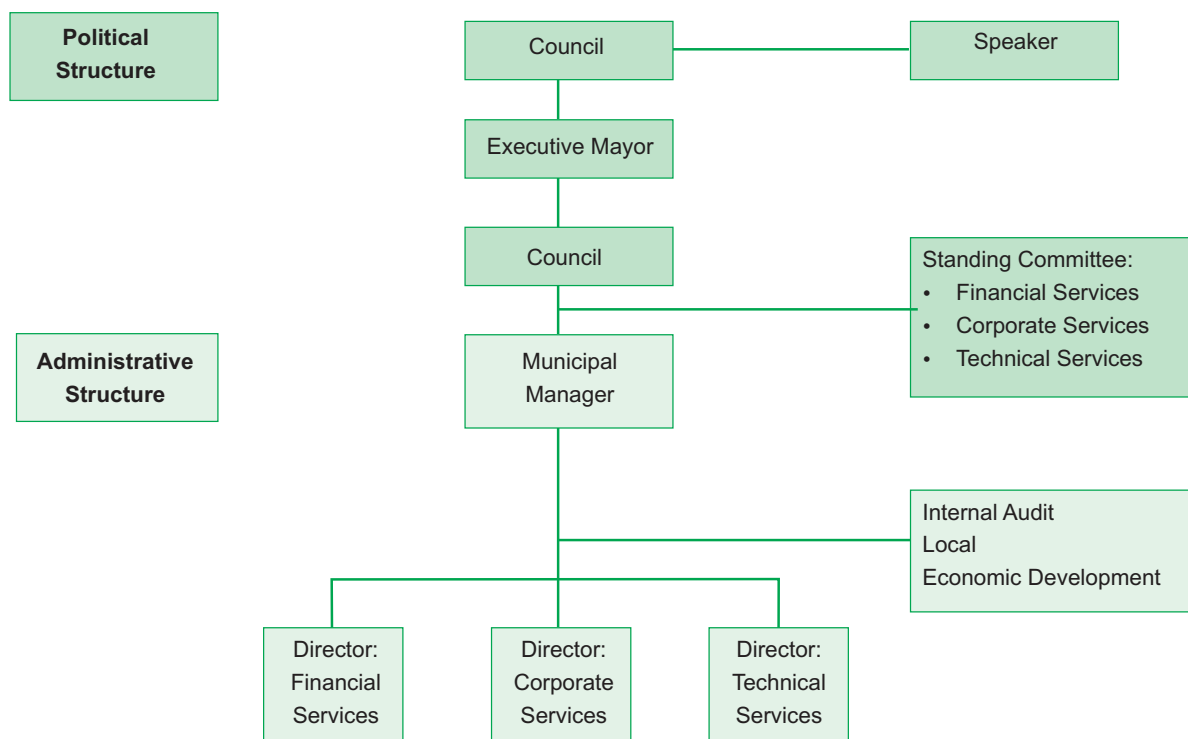
Kannaland consists of three (3) departments and the task of the Municipal Manager is to ensure that the following departments are run effectively, efficiently and economically.

Corporate Services	MM-offices	Finance	Technical
Admin & secretarial <ul style="list-style-type: none"> • Committees • Reception/typing • Archives • Libraries Human Resources Community services <ul style="list-style-type: none"> • Traffic • Housing 	Internal Audit	Income <ul style="list-style-type: none"> • Debt collection • Meter reading • Cashiers Expenditure <ul style="list-style-type: none"> • Salaries & wages • Payment of creditors • Budget control • procedure 	Electricity <ul style="list-style-type: none"> • Cemeteries • Sanitation • Water reticulation • Water purification • Roads & storm water • Mechanical services • Building maintenance and inspections • Cleaning services • Street sweeping • Refuse collection • Waste depot sites

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

The institutional Structure is illustrated below:



Heads of Departments



Brendan Lalor
Chief Financial Officer



Johannes van Heerden
Director: Corporate Services



Julius Herfurth
Director: Technical Services

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

Breakdown of posts per department and division

Department	Post	Post Filled		Total Posts
Office of Mayor	Mayor of support staff	1		1
Municipal Manager Office	-Municipal Manager	1		1
	-Secretary	0		1
	-Internal Audit	0		1
	-IDP/LED Coordinator	0		1
	-TLD Official	0		1
Administration services	Director Corporate Services	1		
	-Secretary	0		
	Manager Admin & Secretarial	1		
	Community Officer	1		
	Security Officer	1		
	Senior Secretary	1		
	Senior	1		
	Senior Librarian	2		
	Assistant Librarian	4		
	Manager Human Resources	1		
	Personnel Officer	1		
	Committee Clerk	1		
	Records Clerk	1		
	Receptionist	2		
	Messenger/Cleaner	1		
	Services & Housing	1		
	Traffic Officer	1		
	Motor Testing Officer	1		
	Motor registration Clark	2		
	Supervisor Cemetery	0		
	Supervisor Sport fields	0		
	Supervisor community development workers	0		
	Supervisor Community halls	2		
	Supervisor Public toilets	2		
Finance	Director Finance	1		
	Assistant Treasurer	0		
	Accountant Income	1		
	Chief Clerks	2		
	Cashiers	3		
	Meter readers	4		
	Chief clerk Debt collection	1		
	Accountant Expenditure	1		
	Salary clerk	1		
	General worker	1		
	Creditors clerk	1		
	Procurement officer	1		1
	Budget control officer	1	15	1
Technical services	Director Technical services	1		1
	Manager Technical services	0		1
	Supervisors Drivers/Foreman	2		2
	Operators	12		12
	General workers	4		4
	Water	34		34
	Electrician	0		2
	Assistant electrician	0		1
	Mechanic	0		1
	Assistant Mechanic	0		1
	Building Inspector	0		1
	Building Maintains	1	66	1
Grand Total		97		

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

Approved and Vacant posts on Organogram:

Approved posts				Vacant posts			
MM & MSA section 57	Middle management	Admin Officers	General Workers	MM & MSA section 57	Middle management	Admin Officers	General Workers
4	10	23	56	0	6	16	31

Transformation statistics:

All levels							
AF	AM	CF	CM	IF	IM	WF	WM
0	0	12	70	0	0	4	7

Transformation statistics per post levels:

Municipal Manager and MSA section 57 level								Middle Management / Supervisory level							
AF	AM	CF	CM	IF	IM	WF	WM	AF	AM	CF	CM	IF	IM	WF	WM
0	0	0	2	0	0	0	2	0	0	1	7	0	0	1	1

Administrative officer and general worker level:

Administrative Officer level								General Worker level							
AF	AM	5F	CM	IF	IM	WF	WM	AF	AM	CF	CM	IF	IM	WF	WM
0	0	0	13	0	0	3	2	0	0	6	48	0	0	0	2

The demographic information of the municipality compared to the workforce of the institution is as follows:

	Total Population	African	Coloured	Indian	White
Total population	24,000	575	20,256	21	3100
%	100	2.4	84.6	0.1	12.9
Total municipal posts (employed)	93	0	82	0	11
%	100	0	85	0	12

Section 57 managers and selected positions:

No. Positions	Position	No. Filled	Employment contracts in place	Performance agreements in place
1	Municipal Manager	1	YES	YES
3	S57 appointees	2	YES	YES

Status on Human Resource policies and plans:

Policy/ Plan	Developed and implemented	Percentage of budget spend on skills development plan
Recruitment and selection	Yes	
Performance management	Yes	
Skills development plan	Yes	
Employment equity plan	Yes	
HRD and HRM policies	In process	

The Performance Management System above has been developed and will be implemented from 1 July 2007.

INSTITUTIONAL DEVELOPMENT & TRANSFORMATION

(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

1. Financial information on Medical Aid and Pension Funds

1.1 2008 / 09 Expenditure on Medical Aid Scheme

Name of Fund	Annual Costs (R)			
	2005/2006	2006/2007	2007/2008	2008/2009
Bonitas	3,400	0	0	28,429
SAMWU Med	164,994	338,871	463,684	503,446
Munimed	12,606	28,009	8,775	0
Hosmed	247,918	246,670	344,954	243,320
LA Health	259,138	514,624	552,224	655,219
TOTAL	888,348	1,128,174	1,369,637	1,430,414

1.2 2008 / 09 Expenditure on Pension Funds

Name of Fund	Annual Costs (R)			
	2005/2006	2006/2007	2007/2008	2008/2009
SAMWU Provident	333,449	325,655	613,757	586,459
Cape Joint PF	1,005,449	726,491	912,385	1,316,483
TOTAL	1,338,898	1,052,146	1,526,142	1,902,942

2. Total personnel expenditure analysis over the past 5 years

Financial Year	Total Personnel Expenditure (R)	Total Municipal Expenditure (R)	Percentage variance (%)
2004/05	10,870,643	21,407,439	48.2
2005/06	10,295,972	23,078,394	47.0
2006/07	12,108,004	67,614,843	17.9
2007/08	12,989,932	51,305,453	25.3
2008/09	14,971,620	55,044,682	27.2

3. Remuneration: councillors & senior management

The budgeted and actual remuneration paid to Councillors and Senior Management, being §57 contract employees, for the financial year July 2008 to June 2009 is detailed below.

3.1 Councillors

Councillors' remuneration is regulated by the Public Office Bearers Act, 1998 (Act 20 of 1998), as amended from time to time. The criteria used to determine the remuneration of councillors is based on the municipal revenue budget, the number of residents in the municipal area and the assigned status of the council and its composition.

Kannaland is a Grade 2 municipality as determined in accordance with the criteria per Government Notice No. R.1319 dated 08 December 2008:

Budget Year	2008/09
Total Budget	R 67,754,040
State Grants and Subsidies	R 27,266,000
Total Municipal Income	R 40,488,40
Grading Points (a)	16.67
Total Municipal Population	24,153
Grading Points (b)	8.33
Total Grading Points (c)	25.00
Determination of Grade	2

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(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

Using the grading data and the legislated council structure, which determined that Kannaland will have 5 ward councillors and 4 proportional representatives of which the Mayor and one councillor are designated as full-time, the approved levels of remuneration are as follows:

Office	Assented (R)	Cellphone (R)	Total (R)
Mayor	485,683	15,984	501,667
Deputy Mayor	388,546	15,984	404,530
Speaker	213,700	9,972	223,672
Councillor	145,704	9,972	155,676
Total	1,962,153	101,772	2,063,925
Plus: Adjustment - Status of office - Speaker			
Part-time allowance	213,700	9,972	223,672
Full-time allowance	388,546	15,984	404,530
Year Impact	174,846	6,012	180,858
Monthly Impact	14,571	501	15,072
Period Impact	58,284	2,004	60,288
Adjusted budget 2009			2,124,213

An application for the revision of the status of the Speaker to that of a full-time councillors was submitted to the MEC for Local Government and approved after the end of the financial year.

The revised budget made provision for this change of status, based on the expectation that approval would have been granted with effect from 01 March 2009. The approved revised budget for councillors remuneration, support personnel and extended medical aid for pensioners amounted to R2,534,500.

Operational Expenditure	2008/09 O/Budget	2008/09 Revised	Amendment
Council: Allowance, salaries & contributions			
Councilors' allowances - R1,227/R1,319	1,994,480	2,063,930	69,450
Plus: Amendments - Speaker (4/12)	-	60,290	60,290
Personal assistants	306,040	208,400	(97,640)
Council: Statutory contributions	21,880	21,880	-
Continued Medical Aid (pensioners)	226,120	180,000	(46,120)
Total	2,548,520	2,534,500	(14,020)



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(HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT)

Actual remuneration paid to councillors during the year was marginally [5,36%] less than the budgeted total, due to the non-implementation of the change of status requested for the Speaker, periodic vacancies and other changes of status within the council structure. The saving on budgeted councillors allowances amounted to R113,963 as indicated in the table below.

Councillors Remuneration - 2008/09 Public Office	Actual (R)	Budget (R)	Variance (R)
Mayor	501,357.78	501,670.00	(312.22)
Allowances	498,447.78		
Social contributions	2,880.00		
Deputy Mayor	404,095.81	404,530.00	565.81
Allowances	399,557.39		
Social contributions	5,538.42		
Speaker	224,033.41	223,670.00	363.41
Allowances	203,621.12	60,290.00	(60,290.00)
Social contributions	20,412.29		
Councillors (6)	879,769.56	934,060.00	(54,290.44)
Allowances	820,898.95		
Social contributions	58,870.61		
Schedule Total	2,010,256.56	2,124,220.00	(113,963.44)

3.2. Senior Management

Senior management consisted of four (4) contract employees, appointed in terms of §56 & §57 of the Municipal Systems Act, 2000 (Act No. 32 of 2000), being the Municipal Manager and Heads of Departments – Directors: Corporate Services; Financial Services; Technical Services.

Managerial remuneration is based on the all-inclusive cost to company package principle, whereby the employee is allowed to structure the package according to individual preference within legal limitations.

All four positions were filled for the full financial year, with variances between budgeted and actual amounts with regard to performance bonus payments. The Municipal Manager commenced service in December 2006 and was not paid any form of bonus in the ensuing year. Council opted to award an ex gratia amount as bonus compensation exceptional performance rendered in 2006/07 in addition to the adjudicated performance bonus awarded for 2007/08 and paid in the 2008/09 financial year.

The Directors were awarded bonuses based on adjudicated performance assessments for 2007/08 in proportion to their individual periods of employment during the year under review.

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Management Remuneration - 2008/09 Position	Actual (R)	Budget (R)	Variance (R)
Municipal Manager	793,226	775,400	
Direct remuneration	680,173	680,176	17,826
Performance bonus - 2008	81,649	95,224	
Ex-gratia allocation - 2007	31,404	-	
Social contributions	-	-	
Director: Corporate Services	603,631	619,500	(15,869)
Direct remuneration	543,420	543,420	
Performance bonus	60,211	76,080	
Social contributions	-	-	
Director: Finance	603,630	619,500	(15,870)
Direct remuneration	515,951	543,420	
Performance bonus	60,211	76,080	
Social contributions	27,468	-	
Director: Technical Services	578,543	619,500	(40,957)
Direct remuneration	543,420	543,420	
Performance bonus	35,123	76,080	
Social contributions	-	-	
Schedule Total	2,579,030	2,633,900	(54,870)





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The audited financial statements for the year ended 30 June 2009 are attached as annexure. The audit report and corrective action plan are included.

The annual financial statements for 2008/09 were compiled in GRAP format by external consultants and submitted to the Office of the Auditor-General after the due date prescribed by the MFMA. Late submission was due primarily to the incidence of ill health of both the CFO and the principal consultant. Conversion to GRAP and Accounting Standards require significant changes in accounting policies and disclosure practices, which conversion is further complicated by continual changes in Accounting Standards and conflicting interpretations of standards by the Accounting Standards Board, the Auditor-General and practitioners. The asset valuations and asset register have been completed, with asset maintenance planning and asset management strategies still to be formulated and implemented in the next financial year..

Related Financial Information

Aspects of general interest taken from the annual financial statements are reflected below. These tables are provided as additional information and do not replace the detailed financial statements in the annexure.

Performance against budget

Financial Year	Operating Revenue				Operating Expenditure			
	Budget R'000	Actual R'000	Diff. R'000	% deviation %	Budget R'000	Actual R'000	Diff. R'000	% deviation %
2005/06	35,330	34,756	-574	-1.62	35,330	36,383	1,053	2.98
2006/07	52,269	52,565	296	0.57	52,259	67,615	15,356	29.38
2007/08	52,609	50,895	-1,714	-3.26	52,934	51,305	-1,629	-3.08
2008/09	67,748	66,801	-947	-1.40	62,796	55,045	-7,751	-12.34

The significant increase in actual expenditure over budget is due to the abnormal provision for doubtful debt. Provision was made in accordance with accepted accounting standards and had not been budgeted for. This provision is deemed realistic as the true state of outstanding service debtors has not been adequately disclosed or dealt with in the past.

Gross outstanding consumer debtors per service

Financial year	Rates R'000	Trading services (Electricity and Water) R'000	Economic services (Sewerage and Refuse) R'000	Housing rentals R'000	Other R'000	Total R'000
2007/08	7,877	2,857	15,479	413	0	26,626
2008/09	10,557	4,118	19,469	111	596	34,851
Difference	2,680	1,261	3,990	-302	596	8,225
% growth	34.0	44.0	25.8	-67.0	+100.0	30.9

The increase in service debtors growth is attributable to a number of factors, primarily the inability to effect proper credit control on basic non-disruptable services such as refuse, sewage and water. Debtors management is a high priority for management in the new year.

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Total debtors age analysis

Financial Year	Debtor age analysis				
	Less than 30 days R'000	Between 30-60 days R'000	Between 60-90 days R'000	More than 90 days R'000	Total R'000
2007/08	1,842	506	392	23,886	26,626
2008/09	2,130	643	528	31,932	35,233
Difference	288	137	136	8,046	8,607
% growth	15.6	27.1	34.7	33.7	32.3

The debtors age analysis underscores the absence of effective credit control and debtors management in prior years. The outstanding portion over 90 days represents 93.5% of the total debtors book at year-end, with a correspondingly low collectibility factor.

Staff cost as % of total operating expenditure

Financial year	Total Expenditure on Salaries and Allowances (R'000)	Total Expenditure (R'000)	Percentage (%)
2005/06	9,480	27,434	34.6
2006/07	10,678	31,584	33.8
2007/08	12,990	38,782	33.5
2008/09	14,972	43,126	34.7

- Total operating expenditure in the above table excludes grant expenditure and bad debt provisions as these factors tend to distort the actual expenditure patterns. Although the cost ratio appears high it must be noted that many vacancies have not been filled and that the nature of the service delivery model will necessitate an abnormally high personnel cost level.

Level of reliance on grants and subsidies

Financial year	Total Grants & Subsidies received R'000	Total Operating Revenue R'000	Percentage (%)
2005/06	8,543	34,756	24.6
2006/07	23,534	52,565	44.8
2007/08	53,531	50,894	105.2
2008/09	29,307	65,683	44.6

Grant funding is indispensable for sustainable basic service delivery and needs to be increased if acceptable service standards are to be maintained. The current economic climate and finance generating capabilities cannot meet the required demand.

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Liquidity ratio

Financial year	Net current assets (R'000)	Net current liabilities (R'000)	Ratio
2005/06	30,486	24,213	1.26:1
2006/07	13,988	19,240	0.73:1
2007/08	16,361	20,335	0.80:1
2008/09	18,613	26,106	0.71:1

Kannaland has experienced severe financial constraints over the past five years. One of the key strategies of the financial recovery plan is the restoration of cash-backed donor funding and the rebuilding of financing reserves.

Audit Report 2008/09

The draft at report issued by the Auditor-General on 04 December 2009 is repeated below.

REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF KANNALAND MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

- I was engaged to audit the accompanying financial statements of Kannaland Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages XX to XX.

Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The accounting officer's responsibility for the financial statements

- The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the

The Auditor-General's responsibility

- As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3)(a) of

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the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

4. Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by Kannaland Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.

Basis for disclaimer of opinion

Housing development fund

5. The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R760,427 in respect of the 2008-09 financial year. This balance has not changed since the 2005

financial year. This balance originates from the 2004 financial year. No financial statements were submitted for audit purposes in that year. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the existence and completeness of the housing development fund opening balance of R760,427 for the financial year under review. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

Government grant reserve

6. The government grant reserve of R56,206,546 (2008: R43,409,023) was included in the financial statements due to a correction of error. Due to inadequate accounting records, I was unable to obtain sufficient appropriate audit evidence to verify and confirm this balance and its relevant disclosure in the statement of changes in net assets.
7. Alternative audit procedures were considered by reconciling the carrying value of assets funded by grants with the closing balance of the government grant reserve of R56,206,546. The government grant reserve reconciles to the carrying value of infrastructure assets funded by grants, except for an immaterial amount. Management indicated that other assets were deemed to have been funded by own funds, because they were unable to determine the funding source of other

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assets. Consequently, I was unable to satisfy myself as to the completeness of the government grant reserve. The municipality's records did not permit the application of reasonable alternative audit procedures.

Accumulated surplus/(deficit)

8. The accumulated surplus/(deficit) of R180,878,958 (2008: R5,023,328) is understated by R2,497,414 (2008: R2,497,414) due to an unspent conditional grant that was utilised during the previous financial years, but is still included as an unspent conditional grant.
9. According to confirmation received from the Western Cape Department of Transport and Public Works, Kannaland Municipality is indebted to the department for outstanding vehicle registration fees collected by the municipality during previous financial years. The total outstanding liability according to the department is R1,529,812. Kannaland Municipality, however, only recognised R1,112,197 as a liability under trade and other payables. Consequently, accumulated surplus/(deficit) is overstated by R417,615 and trade and other payables are understated by R417,615.
10. The value of asset additions funded by grants, should be transferred from the accumulated surplus/(deficit) to government grant reserve. The value of asset additions funded by grants of

R384,069 was however not transferred accordingly. Consequently, accumulated surplus/(deficit) is overstated by R384,069 and the government grant reserve is understated by R384,069.

11. The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R5,023,328 in respect of the 2008-09 financial year. This balance originates from the 2004 financial year. No financial statements were submitted for audit purposes in that year. Every year since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. It, therefore, comprises the aggregate misstatements since the 2005 financial year, while also including the 2004 unaudited balance. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the existence and completeness of the accumulated surplus opening balance of R5,023,328 for the financial year under review. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

Provisions

12. Included in the provision of R1,100,000 (2008: R1,432,000), as disclosed in note 6 to the financial statements are the current and non-

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current portion of the provision for rehabilitation of landfill sites, which amounts to R750,000 and R250,000, respectively. Substantive audit evidence indicates that the current and non-current portion of the provision for the rehabilitation of landfill sites should have been recognised at amounts of R1,633,050 and R476,600, respectively. Consequently, the provision for the rehabilitation of landfill sites is understated by an amount of R1,009,650 on the statement of financial position and the provision for landfill site expense in the statement of financial performance is understated by an amount of R1,009,650.

Trade and other payables

13. Included in the South African Revenue Service (SARS) liability of R4,093,988 (2008: R152,271), as disclosed in note 9 to the financial statements is output Value-added Tax (VAT) on consumer debtors amounting to R3,008,477. The municipality is however registered on the payments basis for VAT and, therefore, no liability exists towards SARS at year end. This balance of R3,008,477 should have been classified as trade and other payables. Consequently, trade and other payables is understated by R3,008,477, while SARS liabilities is overstated by the same amount.
14. The corresponding figure for trade and other payables of R5,957,300 was understated by R1,805,052. This understatement represents the misstatements reported in the previous year that has not been corrected as a result of unrecorded liabilities due to incorrect cut-off. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

Unspent conditional grants and receipts

15. Included in the unspent conditional grants and receipts of R12,989,188 (2008: R10,969,612) is an unspent grant of R2,497,414 the condition of which was the construction of a 132 kva substation. The funding was not used by the municipality to construct the substation. As the funds regarding this grant was utilised in previous financial years, the unspent conditional grant and receipts is overstated by R2,497,414 while accumulated surplus is understated by the same amount.
16. Included in the unspent conditional grants and receipts of R12,989,188 (2008: R10,969,612) is the Value-added Tax portion of grants utilised amounting to R2,320,736, which was not recognised, in accordance with circular 48 of the Municipal Finance Management, 2003 (Act No.56 of 2003), as other income in the statement of financial performance. Consequently, unspent conditional grants is overstated and other income is understated by R2,320,736, respectively.
17. The municipality's records did not permit the application of alternative

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audit procedures regarding opening balances of R10,969,612 in respect of the 2008-09 financial year. This balance originates from the 2004 financial year. No financial statements were submitted for audit purposes in that year. Every year since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the existence and completeness of the unspent conditional grants opening balance of R10,969,612 for the financial year under review. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

South African Revenue Service liability

18. Included in the South African Revenue Service (SARS) liability of R4,093,988 (2008: R152,271) is R3,008,477 as reported in paragraph above, which should have been classified as trade and other payables. Consequently, the SARS liability is overstated by R3,008,477 and trade and other payables is understated by R3,008,477.
19. Included in the SARS liability of R4,093,988 (2008: R152,271) is a VAT input claim amount of R492,419 receivable from SARS. The payment of the creditors relating to the input VAT of R492,419 was, however, not made.
20. As described in note 10 to the financial statements, property plant and equipment (PPE) was adjusted prospectively by R150,986,968, which was based on the depreciated replacement cost as at 30 June 2009. This accounting treatment is not in accordance with GRAP 3 *Accounting Policies, changes in accounting estimates and errors*, as the municipality did not adjust for a correction of error retrospectively. The accounting officer believed that it was impracticable to obtain historical information on property plant and equipment, thus making it impossible to perform retrospective restatement on initial adoption of GRAP. Consequently, the adjustment to PPE, depreciation, accumulated surplus/ (deficit), fair value adjustment and accumulated depreciation, as well as the resultant impact on the cash flow statement has not been determined.
21. Included in the carrying value of R261,713,408 (2008: R68,761,637) is infrastructure assets of R244,424,590 (2008: R51,852,549). The infrastructure assets have been unbundled from the previous year. The opening

As the municipality is registered on the payments basis for VAT purposes, this amount is not yet receivable from SARS. Consequently, the SARS liability is understated by R492,419 and trade and other payables is overstated by R492,419.

Property, plant and equipment

20. As described in note 10 to the financial statements, property plant and equipment (PPE) was adjusted prospectively by R150,986,968, which was based on the depreciated replacement cost as at 30 June 2009. This accounting treatment is not in accordance with GRAP 3 *Accounting Policies, changes in accounting estimates and errors*, as the municipality did not adjust for a correction of error retrospectively. The accounting officer believed that it was impracticable to obtain historical information on property plant and equipment, thus making it impossible to perform retrospective restatement on initial adoption of GRAP. Consequently, the adjustment to PPE, depreciation, accumulated surplus/ (deficit), fair value adjustment and accumulated depreciation, as well as the resultant impact on the cash flow statement has not been determined.
21. Included in the carrying value of R261,713,408 (2008: R68,761,637) is infrastructure assets of R244,424,590 (2008: R51,852,549). The infrastructure assets have been unbundled from the previous year. The opening

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balance of R51,852,549 does, however, not correspond to the closing balance of R48,711,400 as disclosed in note 11 of the prior year financial statements. Furthermore, the infrastructure asset register does not incorporate reference to opening balances or the fair value adjustments made to individual assets. I was, therefore, unable to satisfy myself as to the existence and completeness of the opening balance of infrastructure assets and the valuation of the fair value adjustment of R152,620,546 disclosed in note 10 to the financial statements, as no supporting documentation was provided to substantiate these balances.

22. Land and buildings to the value of R20,003,200 registered in the name of the municipality according to the general valuation roll were not recognised as property, plant and equipment. The municipality's records did not permit the application of alternative audit procedures regarding the identification of land and buildings to be included in property, plant and equipment. I was, therefore, unable to confirm or verify by alternative means the completeness of property, plant and equipment with a carrying value of R261,713,408 (2008: R68,761,637), as disclosed in note 10 to the financial statements.
23. Included in the carrying value of R261,713,408 (2008: R68,761,637) for property, plant and equipment are assets described as housing development fund assets with a carrying value of R11,515,019. Due to inadequate accounting records, I was unable to obtain sufficient appropriate audit evidence to verify these assets, as no asset register or details were provided. Consequently, I was unable to satisfy myself as to the completeness, valuation and existence of those housing development fund assets, as described with a carrying value of R11,515,019.
24. Included in the carrying value of R261,713,408 for property, plant and equipment disclosed in note 10 to the financial statements, are other assets with an opening cost balance and an opening accumulated depreciation balance of R9,801,812 and R4,407,763, respectively, while the opening cost and opening depreciation value according to the asset register is R4,931,758 and R1,940,986, respectively. Furthermore, the other assets asset register does not incorporate references to the fair value adjustments made to individual assets. Consequently, I was unable to satisfy myself as to the completeness and existence of the opening cost and accumulated depreciation balances of R9,801,812 and R4,407,763, respectively. I was also unable to satisfy myself as to the valuation of the fair value adjustment of R1,633,578, as disclosed in note 10 to the financial statements.

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25. No asset additions were disclosed in note 10 to the financial statements, while the asset register for other assets, discloses asset additions to the value of R4,430,891. Consequently, the disclosure in note 10 for asset additions is incomplete.
26. Disposal of assets were not disclosed in note 10 to the financial statements, although disposals of assets with a carrying value of R526,377 was identified. Consequently the disclosure in note 10 for asset disposals is incomplete.
27. The depreciation for other assets as disclosed in note 10 to the financial statements is R2,402,602. This is the total depreciation charge for assets according to note 10 to the financial statements, although the total depreciation according to the Statement of Financial Performance is R461,616. The difference of R1,940,986 represents the recalculated opening depreciation according to the register for other assets. Consequently, I was unable to satisfy myself as to the valuation and accurate disclosure of the depreciation of other assets of R2,402,602.
28. The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R68,761,637 in respect of the 2008-09 financial year. This balance originates from the 2004 financial year. No financial statements

were submitted for audit purposes in that year. Every year since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the existence and completeness of the property, plant and equipment opening balance of R68,761,637 for the financial year under review. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

Consumer debtors

29. The impairment of consumer debtors was not calculated in accordance with the accounting policy, as disclosed in note 1.6 to the financial statements, and is, therefore, in contravention with paragraph 64 of IAS 39 *Financial instruments: Recognition and measurement*. The provision for the impairment of consumer debtors is stated as R27,910,866 (2008: R23,042,475) in note 13 to the financial statements. If the provision for impairment of consumer debtors have been calculated in accordance with the accounting policy, as disclosed in paragraph 1.6 of the financial statements, and paragraph 64 of IAS 39 *Financial instruments: Recognition and measurement*, the consumer debtors of R6,940,416 (2008: R3,583,487) would have been decreased by R4,023,265 and

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impairment of debtors would be increased by a VAT exclusive amount of R3,679,560.

30. Kannaland Municipality failed to recognise certain bulk electricity levies as service charges in the correct period in accordance with GRAP 9 *Revenue from exchange transactions*. If these bulk electricity levies were recognised in the correct period, the consumer debtors would have increased by R569,195 and service charges would have increased by a VAT exclusive amount of R499,294.
31. Included in the consumer debtors of R6,940,416, is other debtors of R606,369 incorrectly classified as consumer debtors due to the inconsistent allocation of votes between the current and the previous year's financial statements. This incorrect allocation resulted in an overstatement of consumer debtors and an understatement of other debtors by R606,369.
32. The total of consumer debtors per category, were disclosed as R34,686,202 in note 13 to the financial statements, whilst the total gross consumer debtors amounts to R35,233,316. This resulted in an understatement in the disclosure of consumer debtors per category of R549,659.
33. The corresponding figure for consumer debtors of R3,583,487 was under-

stated by R2,200,128. This understatement represents misstatements reported in the previous year that has not been corrected as a result of an inaccurate impairment of debtors. My audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.

Other debtors

34. Included in other debtors of R3,502,382 (2008: R801,075), as disclosed in note 14 to the financial statements is grant debtors receivable of R644,986 which is not recoverable. Consequently other debtors are overstated by R644,986 and general expenses are understated by R644,986.
35. Furthermore, other debtors of R606,369 was incorrectly allocated as consumer debtors as reported in paragraph above. Consequently other debtors are understated by R606,369.

Property rates

36. The disclosure of the valuation of land and buildings at R410,722,000 does not agree to the valuation according to the valuation roll of R396,255,000. Consequently, the value of land and buildings disclosed in note 18 to the financial statements is overstated by R14,467,000

Service charges

37. Service charges have not been disclosed as gross revenue less cost of free services or discounts in the

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statement of financial performance as required by GRAP 9 *Revenue from exchange transactions*. The cost of free services of R2,509,480 was incorrectly allocated to grants paid. Consequently service charges and grants paid is overstated by R2,509,480, respectively.

38. As reported in paragraph , the service charges of R26,544,246 is understated by R499,294 and consumer debtors is understated by R569,196.

Government grants and subsidies received

39. Included in government grants and subsidies received of R27,962,818 (2008: R52,229,500) disclosed in the statement of financial performance is an amount of R4,268,034 for which I was unable to obtain sufficient appropriate audit evidence. I was, therefore, unable to carry out all the audit procedures I considered necessary for the audit. Consequently, I was unable to satisfy myself as to the occurrence and accuracy of the R4,268,034 recognised in government grants and subsidies.
40. The government grants and subsidies received of R27,962,818 (2008: R52,229,500) consists of the “conditions met and transferred to revenue” of R19,066,398 and the total equitable share grant received of R9,925,473, as disclosed in note 20 to the financial statements. The difference between the government

grants and subsidies received of R27,962,818, as disclosed on the face of the statement of financial performance and the amount of R28,991,871 (the sum total of the before mentioned amounts of R9,925,473 and R19,066,398) is R1,029,053. I was unable to obtain sufficient appropriate audit evidence to substantiate this difference. Consequently, I am unable to satisfy myself as to the completeness and accuracy of the “conditions met and transferred to revenue” as disclosed in note 20 to the financial statements.

Fines

41. An estimate of revenue from spot fines and summonses based on past experience of amounts collected has not been recognised in accordance with the accounting policy, as disclosed in note 1.15.2 to the financial statements. The history of spot fines and summonses was not available, therefore, I was unable to make a reliable estimate of revenue from spot fines. Consequently, I was unable to satisfy myself as to the completeness of R1,960,769 (2008: R641,424) revenue from fines, recognised in the statement of financial performance.

Other revenue

42. As reported in paragraph above, other revenue is understated by R2,320,736 due to the Value-added Tax portion on grants utilised not allocated to other revenue.

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43. Included in other revenue of R908,022 (2008: R 1,502,463), as disclosed in the statement of financial performance, is repayments of the “self build scheme” to the value of R99,757. I was unable to obtain sufficient appropriate audit evidence to substantiate the completeness and accuracy of this amount. Consequently, I am unable to satisfy myself as to the completeness and accuracy of the “self build scheme” revenue recognised as other revenue, as disclosed in the statement of financial performance to the financial statements.

Depreciation and amortisation

44. Included in depreciation and amortisation of R461,616 (2008: R3,011,301), as disclosed in the statement of financial performance, is an incorrect classification of a credit for accumulated depreciation on disposal of assets amounting to R668,128. This resulted in the understatement of depreciation and amortisation and the fair value adjustment by R668,128, respectively.
45. Furthermore, depreciation is disclosed as R2,402,602 in note 10 to the financial statements, while the depreciation and amortisation is disclosed as R461,616 in the statement of financial performance. Consequently, the presentation and disclosure of depreciation and amortisation is misstated in the financial statements.

General expenses

46. Included in the general expenses of R15,376,969, as disclosed in the statement of financial performance, is grant expenditure amounting to R6,539,615 incorrectly classified as general expenses. This resulted in an overstatement of the general expenses by R6,539,615 and an understatement of the grants and subsidies paid by R6,539,15.
47. As reported in paragraph , general expenses of R15,376,969 is understated by R644,986 due to grants receivable included under other debtors being irrecoverable.

Grants and subsidies paid

48. As reported in paragraph , the grants and subsidies paid of R1,266,106 (2008: R9,746,843), as disclosed in the statement of financial performance, is understated by R6,539,615 due to the incorrect classification as general expenses.
49. As reported in paragraph , the grants and subsidies paid of R1,266,106, as disclosed in the statement of financial performance, is overstated by R2,509,480 due to the incorrect classification of service charges revenue.
50. Total expenditures from grants to the value of R1,010,884 could not be reconciled with the grant expenditures recognised in the statement of financial performance. Consequently, I did not

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obtain sufficient appropriate audit evidence to verify the completeness and accuracy of the grants and subsidies paid in the statement of financial performance.

Fair value adjustment

51. I was unable to obtain appropriate supporting documentation regarding the fair value adjustment of R177,599,581 (2008: R0) disclosed in the statement of financial performance. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the occurrence, accuracy and completeness of the fair value adjustment.

Inaccuracy of the cash flow statements

52. The increase in cash and cash equivalents for the year on the "Increase/(decrease) in cash and cash equivalents" line in the cash flow statement, stated that cash and cash equivalents increased by R2,047,840, while cash and cash equivalents have in fact decreased by R2,047,840 according to the movement cash and cash equivalents between the beginning of the year and the end of the year, as disclosed at the end of the cash flow statement. This translates to an error of R4,095,680. I am, therefore, unable to satisfy myself as to the accuracy of the cash flow statement.

Commitments

53. An amount of R896,000 was incorrectly recognised and included in

the commitments of R9,952,660 (2008: R17,780,000), as disclosed in note 32 to the financial statements.

Non-compliance with the Supply Chain Management Regulations

Unauthorised, irregular or fruitless and wasteful expenditure

54. Management has not complied with the Supply Chain Management Regulations. An appropriate tender process or request for quotations, as required by the Supply Chain Management Regulations, was not followed for expenditures incurred to the value of R1,659,148. Consequently, expenditure of R1,659,148 should have been disclosed as irregular expenditure.
55. Management have also not complied with the supply chain management policy regarding the appointment of the consultant referred to in paragraph 75. A proper tender process, as required by the supply chain management policy for services to the value of more than R200,000, was not followed for the specific appointment.
56. The extent of the irregular expenditures could not be evaluated as a proper supply chain management system does not exist. Consequently, I was unable to satisfy myself as to the completeness of irregular expenditures for the year.

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57. Fruitless and wasteful expenditures of R45,409 and R702,279 for the current and previous financial years, respectively relating to interest and penalties on outstanding PAYE, UIF and SDL, were not disclosed as fruitless and wasteful expenditure, as required by section 125(2)(d) of the MFMA.

Non-compliance with the financial reporting framework

GRAP 3 *Accounting policies, changes in accounting estimates and errors*

58. The statement of Generally Recognised Accounting Practice, GRAP 3 *Accounting Policies, changes in accounting estimates and errors*, states that changes in accounting policies and errors should be adjusted retrospectively. GRAP 3 also states that in applying paragraph 42 of GRAP 3, an entity shall disclose the following:
- (a) the nature of the prior period error
 - (b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
 - (c) the amount of the correction at the beginning of the earliest prior period presented, and
 - (d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of

how and from when the error has been corrected.

Nor the disclosure in the statement of changes in net assets nor note 27: "Correction of error" disclosed what the previously reported balance was, what the correction was that was effected to the line item, and what the restated balance was. The financial statements are, therefore, in non compliance with the requirements of GRAP 3 *Accounting Policies, changes in accounting estimates and errors*.

GRAP 12 *Inventory*

59. Unused water was not calculated and recognised in accordance with the accounting policy, disclosed in note 1.11 to the financial statements. This is, therefore, in non compliance with GRAP 12 *Inventory*. Consequently, I was unable to verify the completeness of the inventory of R109,860 disclosed in the financial statements.
60. GRAP 12 *Inventory* (paragraph 45(d)) requires disclosure of the amount of inventory recognised as an expense during the period. An amount of R948,946 was recognised as an expense during the period, but was not disclosed.

GRAP 16 *Investment property*

61. The statements of Generally Recognised Accounting Practice, GRAP 16 *Investment property* states that all property held for capital appreciation, to earn rentals or held for

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an undetermined use must be recognised as investment property in the financial statements. Kannaland Municipality did not recognise any investment property in the financial statements, and is, therefore, in contravention with Generally Recognised Accounting Practice and the requirements of GRAP 16 *Investment property*.

IAS 19 Employee Benefits

62. Management have not made disclosures regarding retirement benefit obligations, as required by IAS 19 *Employee Benefits*, and are, therefore, in contraventions with the Standards of Generally Recognised Accounting Practice.

IAS 24 Related party disclosure

63. Management have not made disclosures regarding related party balances and transactions in the financial statements, as required by IAS 24 *Related party disclosure*, and are, therefore, in contravention with the Standards of Generally Recognised Accounting Practice. Related party transactions of R138,055 and related party balances of R33,103 were identified, but not disclosed.
64. Section 45 of the Municipal Supply Chain Management Regulation was not complied with regarding the disclosure of awards made to close family members of persons in the service of the state. A contract was

awarded to a concern of whom the owner is related to a council member and an employee at the municipality. An amount of R41,609 was paid to him during the year.

IFRS 7 Financial instruments: *Disclosure*

65. Management have not made disclosures, as required by IFRS 7 *Financial instruments: Disclosure*, and are, therefore, in contravention with the Standards of Generally Recognised Accounting Practice.

Disclaimer of opinion

66. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matters

I draw attention to the following matters on which I do not express a disclaimer of opinion:

Significant uncertainties

Contingent liabilities – unfair dismissal of 24 employees

67. As disclosed in note 33 to the financial statements, there is a possible outflow of economic resources exists due to a pending court decision regarding the possible unfair dismissal of 24 employees.

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Restatement of corresponding figures

68. As disclosed in note 27 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of errors discovered during 2008-09 in the financial statements of Kannaland Municipality at, and for the year ended, 30 June 2008.

Other matters

I draw attention to the following matters that relates to my responsibilities in the audit of the financial statements:

Material inconsistencies in other information included in the annual report

69. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

70. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express as opinion thereon.

Non-compliance with applicable legislation

Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

71. The payment reports, as required by section 11(4) of the MFMA, were submitted with zero amounts and not with actual payment amounts.

72. The mayor of the municipality did not at least 10 months before the start of the new financial budget year, table in the municipal council a time schedule outlining key deadlines regarding the budgeting process, as required by section 21 of the MFMA.

73. Deviations from chapter 11 of the MFMA with regard to the deviations from the Supply Chain Management Regulations that were identified and stated in paragraph numbers, and 56.

74. The draft service delivery and budget implementation plan for the budget year was not submitted to the mayor within 14 days after the approval of the annual budget, as required by section 69(3) of the MFMA as well as drafts of annual performance agreements for the municipal manager and all senior managers, as required by section 57(1)(b) of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

75. The requirements of section 71 of the MFMA for the monthly budget statements were only complied with for the period of January 2009 to March 2009. No monthly budget statements were submitted for the other periods during the year, as required by section 71 of the MFMA.

76. The mid-year budget and performance assessment, as required by section 72 of the MFMA, was not assessed or submitted during the year.

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77. The disclosure of grants and subsidies, as required by section 123 of the MFMA were not presented and disclosed in the financial statements.
78. Arrears of R1,378 owed by individual councillors to the municipality for rates and services and which at any time during the financial year were outstanding for more than 90 days, including the names of those councillors, as required by section 124 of the MFMA, were not disclosed in the financial statements.
79. The oversight report was not adopted by the council within two months after the annual report was tabled by council, as required by section 129(1) of the MFMA.
80. In terms of section 122(3) of the MFMA, the annual financial statements must be prepared in accordance with generally recognised accounting practice as determined by the Accounting Standards Board. Kannaland Municipality has not provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, as prescribed by GRAP 1 *Presentation of Financial Statements*.

Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006

81. Performance bonuses for the 2008 financial year of R257,264 were paid to the directors before the annual report for the financial year under review has been tabled and was adopted by the municipal council. This payment was in contravention with section 8 of the relevant general notice.

Governance framework

82. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Internal control deficiencies

83. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised

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according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5	Housing development fund	5				
6, 7	Government grant reserve	5				
8-11	Accumulated surplus	5				
12	Provisions	5				
13, 14	Trade and other payables	5				
15-17	Unspent conditional grants and receipts			3 & 6		
18, 19	SARS liabilities	5				
20 - 28	Property, plant and equipment	1 & 5				
60	Investment property	5				
58, 59	Inventory	1				
29-33	Consumer debtors	5		6		
34, 35	Other debtors	5		6		
36	Property rates	5				
37, 38	Service charges	5				
39, 40	Government grants and subsidies received	5		6		
41	Fines revenue			6		
42, 43	Other revenue	5		6		
44, 45	Depreciation and amortisation	5				
46, 47	General expenses	5				
48-50	Grants and subsidies paid	5				
51	Fair value adjustment	5				
53	Commitments	5				
54, 55	Non-compliance with the Supply chain management policy	1		6		
54-56	Unauthorised, irregular or fruitless and wasteful expenditure	1 & 5		6		
57-64	Non-compliance with the accounting standards	5				

84. The control environment establishes the foundation for the internal control system by providing fundamental discipline and structure. It sets the tone of the organisation, influencing the control consciousness of its people. The control environment has a pervasive effect on control consciousness and effectiveness within the entity. From the numerous disclaimer paragraphs as reported above, it is evident that the accounting officer did not exercise oversight over financial reporting and internal control. Also contributing to the weak control environment, responsibilities have not been adequately allocated to the

relevant staff members and reporting lines have not been established to support effective control over financial reporting.

Control activities are policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out. From the numerous disclaimer paragraphs as reported above, it is evident that actions are not taken to address risks to the achievement of financial reporting objectives.

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Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
M = Monitoring	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

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Key governance responsibilities

85. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Yes	No
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		x
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		x
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		x
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.		x
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.		x
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The municipality had an audit committee in operation throughout the financial year.	x	
	• The audit committee operates in accordance with approved, written terms of reference.	x	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		x
7.	Internal audit		
	• The municipality had an internal audit function in operation throughout the financial year.	x	
	• The internal audit function operates in terms of an approved internal audit plan.	x	
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		x
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		x
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		x
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	x	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i) of the MFMA.		x
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	x	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.		x
14.	SCOPA resolutions have been substantially implemented.	n/a	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		x
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		x
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA (municipalities).		x
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		x

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86. With the implementation of the Standards of GRAP, the municipality experienced difficulties in producing financial statements for audit purposes that were free from material errors and omissions. In the absence of key officials, significant difficulties were experienced during the audit concerning delays or the availability of requested information, which caused material misstatements in the financial statements due to a limitation placed on the auditors.
87. This is indicative of a situation where more effective leadership supervision and monitoring, as well as sharpened reviews by internal audit and the audit committee is required to ensure the accuracy and completeness of the financial statements submitted for audit purposes.
88. The next few years will pose greater challenges for the municipality with the ongoing transition to full compliance with the Standards of GRAP and the implementation of additional, approved Standards of GRAP. In order to deal with the prevalence of material misstatements in financial statements that have to be corrected during the audit, the municipality needs to:
- develop a strategy to improve financial management controls relating to compliance with accounting standards and reconciliation and maintenance of underlying accounting records, in order to produce accurate and complete financial statements
 - produce monthly financial accounts for review by management
 - subject the financial statements to a quality review before they are submitted for auditing, while the internal audit unit and audit committee can assist with evaluating the adequacy of the design and implementation of controls around the preparation of the financial statements.
89. Further, effective internal control and risk management practices, including fraud prevention plans, as well as appropriate information systems and measures to improve compliance with laws and regulations also need to be established through improved leadership supervision and monitoring and with the support of internal audit and audit committees.
90. The audit committee and internal audit unit are essential elements in the review of the design and implementation of sound internal controls to achieve good governance and accountability over financial reporting and need to be strengthened to fulfill their responsibilities in accordance with the MFMA.
91. The development of a performance management system policy framework that facilitates the preparation of a performance report that is accurate and complete and available for internal and external review in a timely manner,

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requires urgent attention from the accounting officer with the support of internal audit and the audit committee to ensure compliance with section 40 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

92. I was de assessments of the functionality of Kannaland Municipality's performance management system and whether the system complied with the requirements of the MSA.

The accounting officer's responsibility for the performance information

93. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

94. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

95. In terms of the foregoing my engagement included performing

procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

96. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

No reporting of performance information

97. The annual report of Kannaland Municipality did not include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA.

Existence and functioning of a performance audit committee

98. The performance audit committee did not:

- meet at least twice during the financial year
- review the quarterly reports of the internal auditors on their audits of the performance measurements of the municipality
- review Kannaland Municipality's performance management system and make recommendations in this

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regard to the council of Kannaland Municipality

- submit an auditor's report to the council regarding the performance management system at least twice during the financial year.

Internal auditing of performance measurements

7. The internal audit processes and procedures did not include assessments of the functionality of Kannaland Municipality's performance management system and whether the system complied with the requirements of the MSA.

100. The internal audit processes and procedures did not include assessments of the extent to which Kannaland Municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators.

101. The internal auditors of Kannaland Municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee.

Lack of adoption or implementation of a performance management system

102. Kannaland Municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

No mid-year budget and performance assessments

103. The accounting officer of Kannaland Municipality did not (by 25 January of each year) assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72 of the MFMA.

Performance information not received in time

104. I was unable to complete an evaluation of the quality of the performance information, as the information was not received in time.

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APPRECIATION

105. The assistance rendered by the staff of Kannaland Municipality during the audit is sincerely appreciated.

Cape Town

4 December 2009



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

PROPOSED REMEDIAL ACTION PLAN

The Audit Report highlights a number of significant deficiencies endemic to the organisation which have not been adequately addressed since the implementation of the Recovery Plan initiated by the Provincial Department of Local Government in June 2004. Most of the difficulties experienced by the municipality can be addressed only once the required resources, skills and capacity have been established in the municipality. The past three years' audit reports are a clear reflection that this primary need has not yet been addressed. Given the lack of financial capacity and inadequate

recognition by Provincial and National authorities of the scope and extent of actions required to achieve this objective, it comes as no surprise that Kannaland has once again failed to achieve an acceptable audit report. The success of the proposed remedial action plan is subject to the provision of adequate resources and capacity by both Provincial and National Departments to enable Kannaland to meet both its service delivery mandate and governance compliance prescriptions on a viable, affordable and sustainable basis.

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
1	5	Housing Development Fund The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R760,427 in respect of the 2008-09 financial year. This balance has not changed since the 2005 financial year. This balance originates from the 2004 financial year. No financial statements were submitted for audit purposes in that year. Consequently I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the existence and completeness of the housing development fund.					
		We are of the opinion that the housing development fund should never have been created during the conversion to GAMAP/GRAP. However, due to the current status of the fund, approval to write of the fund should be sought from the minister. At the date of this report, no such approval has been received, and the fund will remain intact on the financial statements.	A qualified audit opinion will again be issued regarding the Housing Development Fund, should this balance remain in the statement of financial position.	A detailed motivation for write-off will be prepared for submission to the MEC. Once approval has been received, the Fund will be written off retrospectively.	28/02/2010	Akhile/ Kannaland	
2	6 7	Government Grant Reserve <ul style="list-style-type: none"> The Government Grant reserve of R56 206 546 was included in the financial statements due to a correction of error. Due to inadequate accounting records, the AG were not able obtain sufficient audit evidence to verify and confirm this balance and its relevant disclosure in the statement of changes in net assets. Alternative audit procedures were considered by reconciling the carrying value of assets funded by grants with the closing balance of the government grant reserve of R56 206 546. The government grant reserve reconciles to the carrying value of infrastructure assets funded by grants, except for an immaterial amount. Management indicated that other assets were deemed to have been funded by own funds because they were unable to determine the funding source of other assets. Consequently, the AG was unable to satisfy himself as to the completeness of the government grant reserve. The municipality's records did not permit the application of reasonable alternative audit procedures 					
		The correction has been made on the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported.	A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets. The relevant depreciation component attributable to Grant Funded assets will subsequently be allocated to the Reserve and disclosed as a correction of error in the 2010 Annual Financial Statements.	31/03/2010	Akhile/ Aurecon/ Kannaland	

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
2	8	Accumulated Surplus/(deficit) The accumulated surplus/(deficit) of R180,878,958 (2008: R5,023,328) is understated by R2,497,214 (2008: R2,497,214) due to an unspent conditional grant that was utilised during the previous financial years, but is still included as an unspent conditional grant.					
		The disclosure regarding the fruitless and wasteful expenditure on the interest of the loan has been made on the AFS. The fruitless and wasteful component of the interest on the loan has also been disclosed, along with the correction of error regarding the recognition of the revenue in prior financial periods.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
2	9	Accumulated surplus/(deficit) The vehicle registration liability according to the Department of Transport is R1,529,812. The current liability disclosed under trade and other payable is R1,112,197. The unrecorded liability is therefore R41,615.					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter will be included in the audit report due to the aggregate effect on the accumulated surplus/(deficit).	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
2	10	Accumulated surplus/(deficit) The value of asset additions funded by grants, should be transferred from accumulated surplus/(deficit) to government grant reserve. The value of asset additions funded by grants of R384,069 was however not transferred accordingly. Consequently, accumulated surplus/(deficit) is overstated by R384,069 and the government grant reserve is understated by R384,069.					
		All the Infrastructure assets will automatically form part of the Infrastructure asset register (because a full asset identification and valuation exercise was done by Aurecon) and thus part of the figure shown on the Financial Statement for Assets. This applies to the movable assets as well. The only correction that needs to be made will be to credit Grant Expenditure and debit Fair Value Adjustment with the relevant correction amount.	The amendments to the financial statements were not submitted in time. The matter will be included in the audit report due to the aggregate effect on accumulated surplus/(deficit).	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
2	11	Accumulated surplus/(deficit) The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R5,023,328 in respect of the 2008-09 financial year. This balance originates from 2004 financial year. No financial statements were submitted for audit purposes in that year. Every year, since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. It, therefore, comprises the aggregate misstatements since the 2005 financial year, while also including the 2004 unaudited balance. Consequently, the AG did not obtain sufficient appropriate audit evidence considered necessary to satisfy himself as to the existence and completeness of the accumulated surplus opening balance of R5 023 328 for the financial year under review. The audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.					
		It is not possible to verify or recalculate the impact of the 2004 financial year misstatements.	The amendments to the financial statements were not submitted in time. The matter will be included in the audit report due to the aggregate effect on the accumulated surplus/(deficit).	A detailed analysis of all misstatements and corrections for subsequent financial years will be prepared and reconciled with the 2009 financial statements.	31/03/2010	Akhile	
3	12	Provisions Included in the provision of R1,100,000 (2008: R1,432,000), as disclosed in note 6 to the financial statements are the current and non-current portions of the provision for rehabilitation of landfill sites, which amounts to R750,000 and R250,000 respectively. Substantive audit evidence indicates that the current and non-current portion of the provision for the rehabilitation of landfill sites should have been recognised at the amounts of R1,633,050 and R476,000, respectively. Consequently, the provision for the rehabilitation of landfill sites is understated by an amount of R1,009,650 on the statement of financial position and the provision for landfill site expense in the statement of financial performance is understated by an amount of R1,009,650.					
		The current provision will remain in the AFS and the exemption as per Directive 4, (Measurement) will be taken up.	The amendments to the financial statements were not submitted in time. The matter is still reported and will be qualified in the audit report.	The calculation for the rehabilitation will be referred back to the service provider in order to obtain clarity on the extent of the cost involved.	28/02/2010	Akhile	

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
3	13	Trade and other payables Included on the South African Revenue Service (SARS) liability of R4 093 988 (2008: R152,271), as disclosed in note 9 to the financial statements is output Value-added Tax (VAT) on consumer debtors amounting to R3,008,477. The municipality is however registered on the payments basis for VAT and therefore, no liability exists towards SARS at year end. The balance of R3,008,477 should have been classified as trade and other payables. Consequently, trade and other payables is understated by R3,008,477, while SARS liabilities is overstated by the same amount.					
		We do not agree with this finding. The VAT amounts included under these votes represent the VAT portion of the debtors. These amounts combine with the other debtor's votes to align with the Debtors age analysis. (3.9). The comparative disclosure will be amended on the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported.	Since the only change to the Financial Statements related to comparative amounts, no further action is required.	N/A	N/A	N/A
3	14	Trade and other payables The corresponding figure for trade and other payables of R5,957,300 was, understated by R1,805,052. The understatement represents the misstatements reported in the previous year that has not been corrected as a result of unrecorded liabilities due to incorrect cut-off. The audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.					
		The financial statements have been amended to include the correction of the misstatements as reported.	No adjustment was made to the financial statements. The matter will be reflected in the audit report as a qualification.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
3	15	Unspent conditional grants and receipts Included in the unspent conditional grants and receipts of R12,989,188 (2008: R10,969,612) is an unspent grant of R2,497,414 the condition of which was the construction of a 132KVA substation. The funding was not used by the municipality to construct the substation. As the funds regarding this grant was utilised in previous financial years, the unspent conditional grant and receipts is overstated by R2,497,414 while accumulated surplus is understated by the same amount.					
		The disclosure regarding the fruitless and wasteful expenditure on the interest of the loan has been made on the AFS. The fruitless and wasteful component of the interest on the loan has also been disclosed, along with the correction of error regarding the recognition of the revenue in prior financial periods.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
3	16	Unspent conditional grants and receipts Included in the unspent conditional grants and receipts of R12,989,188 (2008: R10,969,612) is the Value-added Tax portion of grants utilised amounting to R2,320,736, which was not recognised, in accordance with circular 48 of the Municipal Finance Management, 2003 (Act No 56 of 2003), as other Income in the statement of financial performance. Consequently, unspent conditional grants is overstated and other income is understated by R2,320,736, respectively.					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
3	17	Unspent conditional grants and receipts The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R10,969,612 in respect of the 2008-09 financial year. This balance originates from 2004 financial year. No financial statements were submitted for audit purposes in that year. Every year, since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. Consequently, the AG did not obtain sufficient appropriate audit evidence considered necessary to satisfy himself as to the existence and completeness of the unspent conditional grants opening balance of R10,969,612 for the financial year under review. The audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
4	18	South African Revenue Service Liability Included on the South African Revenue Service (SARS) liability of R4,093,988 (2008: R152,271) is R3,008,477 as reported in under 13 above, which should have been classified as trade and other payables. Consequently, the SARS liability is overstated by R3,008,477 and trade and other payables is understated by R3,008,477					
		We do not agree with this finding. The VAT amounts included under these votes represent the VAT portion of the debtors. These amounts combine with the other debtor's votes to align with the Debtors age analysis. (3.9) The comparative disclosure will be amended on the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported.	Since the only change to the Financial Statements related to comparative amounts, no further action is required.	N/A	N/A	N/A

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
4	19	<p>South African Revenue Service Liability</p> <p>Included in the SARS liability of R4,093,988 (2008: R152,271) is a VAT input claim amount of R492,419 receivable from SARS. The payment of the creditor relating to the input VAT of R492,419 was however not made. As the municipality is registered on the payments basis for VAT purposes, this amount is not yet receivable. From SARS. Consequently, the SARS liability is understated by R492,419, and trade and other payables is overstated by R492,419.</p>	<p>Although this matter is not material individually, in aggregate the misstatement exceeds materiality. This matter is also a non-compliance with the VAT Act.</p>	<p>The VAT component will be disclosed under the VAT provision account as part of a correction of error in the 2010 Annual Financial Statements.</p>	30/06/2010	Kannaland	
		<p>The cheques were issued in June so the VAT Transaction would lie in the suspense account awaiting process to VAT claim in July. This query should be withdrawn.</p> <p>It should be noted that the items in question relate to cheques issued during June. For AFS purposes, these items were transferred to Creditors. The fact that it was deemed paid, makes them eligible for inclusion under the VAT receivable account. However, in order to align this disclosure/adjustment with the VAT account, an AFS journal will be processed to re-allocate the VAT provision on the items, to the VAT provision account and disclosed separately.</p>					
4	20	<p>Property, Plant and Equipment</p> <p>As described in note 10 to the financial statements, property, plant and equipment (PPE) was adjusted prospectively by R150,986,968, which was based on the depreciated replacement cost as at 30 June 2009/ This accounting treatment is not in accordance with GRAP 3 Accounting Policies, changes in accounting estimates and errors, as the municipality did not adjust for a correction of error retrospectively. The accounting officer believed that it was impracticable to obtain historical information on property, plant and equipment, thus making it impossible to perform retrospective restatement on initial adoption of GRAP. Consequently, the adjustment to PPE, depreciation, accumulated surplus/(deficit), fair value adjustment and accumulated depreciation, as well as the resultant impact on the cash flow statement has not been determined.</p>	<p>The amendments to the financial statements were not submitted in time. The matter is still reported.</p>	<p>A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets. The relevant depreciation component attributable to Grant Funded assets will subsequently be allocated to the Reserve and disclosed as a correction of error in the 2010 Annual Financial Statements.</p>	31/03/2010	Akhile/ Aurecon/ Kannaland	
		<p>Due to the process of fair valuing the assets at 30 June 2009, the calculation as identified per audit finding is not possible.</p>					

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
4	21	Property, Plant and Equipment Included in the carrying value of R261 713 408 (2008: R68,761,637) is infrastructure assets form the previous financial year. The opening balance of R51,852,549 doe, however, not correspond to the closing balance of R48,711,400 as disclosed in note 11 of the prior year financial statements. Furthermore, the infrastructure asset register does not incorporate reference to opening balances or fair value adjustments made to individual assets. The AG was, therefore, unable to satisfy himself as to the existence and completeness of the opening balance of infrastructure assets and the valuation of the fair value adjustment of R152,620,546 disclosed in note 10 to the financial statements, as nor supporting documentation was provided to substantiate these balances.					
		Due to the process of fair valuing the assets at 30 June 2009, the calculation as identified per audit finding is not possible.	The amendments to the financial statements were not submitted in time. The matter is still reported.	A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets and a comparable opening balance for disclosure purposes.	31/03/2010	Akhile/ Aurecon/ Kannaland	
4	22	Property, Plant and Equipment Land and buildings to the value of R20,003,200 registered in the name of the municipality according to the general valuation roll were not recognised as property, plant and equipment. The municipality's records did not permit the application of alternative audit procedures regarding the identification of land and buildings to be included in property, plant and equipment. The AG was, therefore, unable to confirm or verify by alternative means the completeness of property, plant and equipment with a carrying value of R261,713,408 (2008: R68,761,637), as disclosed in the note to the financial statements.					
		The asset register: property listing is still in process. The general valuation was not completed in time to incorporate all municipal property in the asset register for June 2009. This will be attended to in the current financial year. (3.17)	The response from management is noted and is not accepted as there is still a non-compliance with the accounting standards of GRAP 17.	Municipal owned land will be identified upon completion of the property listing. These items will be included in the 2010 Annual Financial Statements.	30/06/2010	Akhile / Kannaland	

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
5	23	Property, Plant and Equipment The Housing Development Fund was one of the disclaimer issues in the previous years audit report, as no evidence regarding this balance could be provided. This fund is also not cash backed. Owners of housing schemes are also still charged on a monthly basis. These charges are recognised as revenue and consumer debtors. In another issue raised the validity of this practice is questioned.					
		We are of the opinion that the housing development fund should never have been created during the conversion to GAMAP/ GRAP. However, due to the current status of the fund, approval to write of the fund should be sought from the minister. At the date of this report, no such approval has been received, and the fund will remain intact on the financial statements.	A qualified audit opinion will again be issued regarding the Housing Development Fund, should this balance remain in the statement of financial position.	A detailed motivation for write-off will be prepared for submission to the MEC. Once approval has been received, the Fund will be written off retrospectively.	28/02/2010	Akhile/ Kannaland	
5	24	Property, Plant and Equipment Included in the carrying value of R261,713,408 (2008: R68,761,637) for property, plant and equipment are assets described as housing development fund assets with a carrying values of R11,515,019. Due to inadequate accounting records, I was unable to obtain sufficient appropriate audit evidence to verify these assets, as no asset register or details were provided. Consequently, the AG was unable to satisfy himself as to the completeness, valuation and existence of those housing development fund assets, as described with a carrying value of R11,515,019.					
		Due to the process of fair valuing the assets at 30 June 2009, the calculation as identified per audit finding is not possible.	The amendments to the financial statements were not submitted in time. The matter is still reported.	A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets and a comparable opening balance for disclosure purposes.	31/03/2010	Akhile/ Aurecon/ Kannaland	

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
5	25	Property, Plant and Equipment No asset additions were disclosed in note 10 to the financial statements, while the asset register for the other assets, discloses asset additions to the value of R4,430,891. Consequently, the disclosure in note 10 for asset additions is incomplete.					
		Due to the process of fair valuing the assets at 30 June 2009, to opening balances of assets were reclassified. This will be amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets and a comparable opening balance for disclosure purposes.	31/03/2010	Akhile/ Aurecon/ Kannaland	
5	26	Property, Plant and Equipment Disposals of assets were not disclosed in note 10 to the financial statements, although disposals of assets with a carrying value of R5,526,377 were identified. Consequently, the disclosure in note 10 for asset additions is incomplete.					
		Due to the process of fair valuing the assets at 30 June 2009, to opening balances of assets were reclassified. This will be amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	A process will be developed to identify and calculate backlog depreciation on the unbundled infrastructure assets and a comparable opening balance for disclosure purposes.	31/03/2010	Akhile/ Aurecon/ Kannaland	
5	27	Property, Plant and Equipment The depreciation for other assets as disclosed in note 10 to the financial statements is R2,402,602. This is the total depreciation charge for assets according to note 10 to the financial statements, although the total depreciation according to the Statement of Financial Performance is R46, 616. The difference of R1,940,986 represents the recalculated opening depreciation according to the register for other assets. Consequently, I was unable to satisfy myself as to the valuation and accurate disclosure of the depreciation of other assets of R2,402,602.					
		No depreciation was written off since a fair value assessment was made as part of the unbundling of infrastructure. The value as at 30/09/2009 therefore represents a value inclusive of any potential increase or decrease in the remaining useful life of these assets and therefore also the carrying value. (3.21)	The response by management is noted. Matter is still reported and results in a limitation of scope in the audit report.	With the assistance of the service provider, a process will be developed to calculate backlog depreciation for disclosure as a correction of error in the 2010 Annual Financial Statements.	31/03/2010	Akhile	

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
5	28	Property, Plant and Equipment The municipality's records did not permit the application of alternative audit procedures regarding opening balances of R68,761,637 in respect of the 2008-09 financial year. This balance originates from 2004 financial year. No financial statements were submitted for audit purposes in that year. Every year, since the 2004 financial year, misstatements have been reported. These misstatements have never been corrected in the following year in which it was reported. Consequently, the AG did not obtain sufficient appropriate audit evidence considered necessary to satisfy himself as to the existence and completeness of R68,761,637 for the financial year under review. The audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
6	29	Property, Plant and Equipment The impairment of consumer debtors was not calculated in accordance with the accounting policy, as disclosed in not e1.6 to the financial statements, and is, therefore in contravention with paragraph 64 of IAS 39 Financial Instruments: Recognition and measurement. The provision for impairment of consumer debtors is stated as R27,910,866 (2008: R23,042,475) in note 13 to the financial statements. If the provision for impairment of consumer debtors have been calculated in accordance with the accounting policy, the consumer debtors of R6,940,416 (2008: R3,583,487) would have been decreased by R4,023,265 and impairment of debtors would be increased by a VAT exclusive amount of R3,679,560.					
		Using REVCO's report as basis assumes ideal conditions and effective recovery actions to be instituted without delay. Management is of the opinion that this is over-optimistic and values should be revised downwards by ±R4m. (6.4)	The amendments to the financial statements were not submitted in time. The matter is still reported and will result in a qualification in the audit report.	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
6	30	<p>Consumer Debtors The municipality failed to recognise certain bulk electricity levies as service charges in the correct period in accordance with GRAP 9 Revenue from exchange transactions. If these bulk electricity levies were recognised in the correct period, the consumer debtors would have increased by R569,195 and service charges would have increased by a VAT exclusive amount of R499,294.</p> <p>Averages were used but the meter was not removed by the consumer. The consumer will supply documentation relating to this. According to them there occurred a fault at the voltage transformer that caused the readings to be incorrect and from that point they worked on averages. The consumer will only be able to supply this documentation by 20 October 2009. (1.20)</p>	<p>No management response received regarding the incorrect cut-off to the value of R 569,195.45 levy charged.</p> <p>We agree with the management response regarding the average readings and the supporting documentation was provided and inspected.</p>	The correction in respect of the cut-off will be made with immediate effect.	28/02/2010	Akhile	Completed
6	31	<p>Consumer Debtors Included in the consumer debtors of R6,940,416 is other debtors of R606,369 incorrectly classified as consumer debtors due to the inconsistent allocation of votes between the current and the previous year's financial statements. The incorrect allocation resulted in an overstatement of consumer debtors and an understatement of other debtors by R606,369.</p> <p>Although we agree with the finding, we are of the opinion that the current classification is correct since this aligns with the information from the debtors system. A general note to indicate the reclassification of accounts will be included in the AFS.(4.23)</p>	<p>The amendments to the financial statements were not submitted in time. The matter is still reported.</p>	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed
6	32	<p>Consumer Debtors The total of consumer debtors per category were disclosed as R34,686,202 in 13 to the financial statements, whilst the total gross consumer debtors amounts to R35,233,316. This resulted in an understatement in the disclosure of consumer debtors per category of R549,659.</p> <p>The AFS have been amended.</p>	<p>The amendments to the financial statements were not submitted in time. The matter is still reported.</p>	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
6	33	Consumer Debtors The corresponding figure for consumer debtors of R3,583,487 was understated by R2,200,128. The understatement represents misstatements reported in the previous year that has not been corrected as a result of an inaccurate impairment of debtors. The audit report on the financial statements as of, and for the year ended 30 June 2008 was modified accordingly.					
		The AFS have been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed
6	34	Other Debtors Included in other debtors of R3,502,382 (2008: R801,075), as disclosed in note 14 to the financial statements is grant debtors receivable of R644,986 which is not recoverable. Consequently other debtors are overstated by R644,986 and general expenses are understated by R644,986.					
		The AFS have been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed
6	35	Other Debtors Furthermore, other debtors of R606,369 was incorrectly allocated as consumer debtors as reported under item 31 above. Consequently other debtors are understated by R606,369 (2008: R801,075), as disclosed in note 14 to the financial statements is grant debtors receivable of R644,986.					
		The AFS have been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed

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7	36	Property Rates The disclosure of the valuation of land and buildings at R410,722,000 does not agree to the valuation according to the valuation roll of R396,255,000. Consequently, the value of land and buildings disclosed in note 18 to the financial statements is overstated by R14,467,000.					
		The note has been amended. (6.11)	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
7	37	Service charges Service charges have not been disclosed as gross revenue less cost of free services or discounts in the statement of financial performance as required by GRAP 9 Revenue from exchange transactions. The cost of free services of R2,509,480 was incorrectly allocated to grants paid. Consequently service charges and grants paid is overstated by R2,509,480 respectively.					
		We do not agree with this finding, since this approach would constitute the offsetting of expenditure against revenue. Once a free basic service is "billed" it is effectively paid through the Equitable share. Hence the disclosure of the cost component. If the two amounts would be netted off, it would effectively mean that the billing never took place.(5.6) As per discussion held during the steering committee meeting held on the 13th November 2009, this will not be amended, but the comparative disclosure will be adjusted.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The adjustment to the 2008 financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed

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7	38	Service charges As reported under item 30, the service charges of R26,544,246 is understated by R499,294 and consumer debtors is understated by R569,196.					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
7	39	Government Grants and Subsidies Received Included in the government grants and subsidies received of R27,962,818 (2008: R52,229,500) disclosed in the statement of financial performance is an amount of R4,268,034 for which the AG was unable to obtain sufficient appropriate audit evidence, and was, therefore, unable to carry out all the audit procedures the AG considered necessary for the audit. Consequently, The AG was unable to satisfy himself as to the occurrence and accuracy of the R4,268,034 recognised in government grants and subsidies.					
		The journal has been reviewed and after the reconciliation of the grants, the journal has been revised. The adjusted journal will be provided with the amended AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. Based on the limitation of scope, this matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
7	40	Government Grants and Subsidies Received The government grants and subsidies received of R27,962,818 (R2008: R52,229,500) consists of conditions met and transferred to revenue of R19,066,398 and the total equitable share grant received of R9,925,473, as disclosed in note 20 to the financial statements. The difference between the government grants and subsidies received of R27,962,818, as disclosed on the face of the statements of financial performance and the amount of R28,991,871 (the sum total of the before mentioned amounts of R9,925,473 and R19,066,398) is R1,029,053. The AG was unable to obtain sufficient appropriate audit evidence to substantiate the difference. Consequently, the AG is unable to satisfy himself as to the completeness and accuracy of the conditions met and transferred to revenue as disclosed in note 20 to the financial statements					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

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Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
7	41	<p>Fines</p> <p>An estimate of revenue from spot fines and summonses based on past experience of amounts collected has not been recognised in accordance with the accounting policy, as disclosed in the note 1.15.2 to the financial statements. The history of spot fines and summonses was not available; therefore, the AG was unable to make a reliable estimate of revenue from spot fines. Consequently, the AG was unable to satisfy himself as to the completeness of R1,960,769 (2008: R641,424) revenue recognised in the statement of financial performance.</p>	<p>This matter is regarded as a limitation of scope.</p>	<p>A process will be developed to identify the actual revenue generated from fines, including amounts outstanding at 30 June 2010.</p>	28/02/2010	Akhile	
8	42	<p>Traffic fines are recognised as revenue on receipt only. The theoretic approach is not followed as there is no guarantee that we will actually receive a normative percentage of summonses issued. No provision was made since the information available does not to provide a sufficient basis to establish a reasonable estimate of the collectable fines.(4.21)</p> <p>We agree with the audit finding, however, since there is a major backlog on the processing of the fines, an accurate rate of measurement of future cash flows with regards to the collection of fines could not be determined. Revenue from fines has always been recognised on receipt – no provision is made due to this practice.(5.2)</p> <p>Other Revenue</p> <p>As reported under item 16 above, other revenue is understated by R2,320,736 due to the Value-added Tax portion on grants utilised not allocated to other revenue</p>	<p>The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.</p>	<p>The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.</p>	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
8	43	Other Revenue Included in other revenue of R908,022 (2008: R1,502,463), as disclosed in the statement of financial performance, is repayments of the "self build scheme" to the value of R99,757. The AG was unable to obtain sufficient appropriate audit evidence to substantiate the completeness and accuracy of the amount. Consequently, the AG was unable to satisfy himself as to the completeness and accuracy of the "self build scheme" revenue recognised as other revenue, as disclosed in the statement of financial performance to the financial statements.					
		HDF should never have been part of AFS. Should have been written off with first GRAP conversion.	This matter will be included in the audit report based on the completeness of the revenue.	A detailed motivation for write-off will be prepared for submission to the MEC. Once approval has been received, the Fund will be written off retrospectively.	28/02/2010	Akhile/ Kannaland	
8	44	Depreciation and Amortisation Included in depreciation and amortisation of R461,616 (2008: R3,011,301), as disclosed in the statement of financial performance, is an incorrect classification of a credit accumulated depreciation on disposal of assets amounting to R668,128. This resulted in the understatement of depreciation and amortisation and the fair value adjustment by R668,128, respectively.					
		No depreciation was written off since a fair value assessment was made as part of the unbundling of infrastructure. The value as at 30/09/2009 therefore represents a value inclusive of any potential increase or decrease in the remaining useful life of these assets and therefore also the carrying value. (3.21)	The response by management is noted. Matter is still reported and results in a limitation of scope in the audit report.	The correction will be made with the assistance of the service provider and disclosed as a correction of error in the 2010 annual financial statements.	31/03/2010	Akhile/ Aurecon/ Kannaland	
8	45	Depreciation and Amortisation Furthermore, depreciation is disclosed as R2,402,602 in note 10 to the financial statements, while the depreciation and amortisation is disclosed as R461,616 in the statement of financial performance. Consequently, the presentation and disclosure of depreciation and amortisation is misstated in the financial statements.					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
8	46	General Expenses Included in the general expenses of R15,376,969, as disclosed in the statement of financial performance, is grant expenditure amounting to R6,539,615 incorrectly classified as general expenses. The resulted in an overstatement of general expenses by R6 539 615 and an understatement of grants and subsidies paid by R6,539,615					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
8	47	General Expenses As reported under item 34, general expenses of R 15,376,969 is understated by R644,986 due to grants receivable included under other debtors being irrecoverable.					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The amendments to the financial statements will be prepared with immediate effect.	28/02/2010	Akhile	Completed
8	48	Grants and Subsidies Paid As reported under item 46, the grants and subsidies paid of R1,266,106 (2008: R9,746,843), as disclosed in the statement of financial performance, is understated by R6,539,615 due to incorrect classification as general expenses.					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
8	49	Grants and Subsidies PaidGrants and Subsidies Paid As reported under item 46, the grants and subsidies paid of R1,266,106 (2008: R9,746,843), as disclosed in the statement of financial performance, is overstated by R2,509,480 due to incorrect classification of service charges revenue.					
		The AFS has been amended.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
8	50	Grants and Subsidies Paid Total expenditures from grants to the value of R1,010,884 could not be reconciled with the grant expenditures recognised in the statement of financial performance. Consequently, The AG did not obtain sufficient appropriate audit evidence to verify the completeness and accuracy of the grants and subsidies paid in the statement of financial performance.	The amendments to the financial statements were not submitted in time. The matter is still reported.	The reconciliation of the grant expenditures as identified in the audit report will be reconciled with Appendix F.	31/03/2010	Akhile	
9	51	Fair Value Adjustment I was unable to obtain appropriate supporting documentation regarding the fair value adjustment of R177,599,581 (2008: R0) disclosed in the statement of financial performance. Consequently, I did not obtain sufficient appropriate audit evidence considered necessary to satisfy myself as to the occurrence, accuracy and completeness of the fair value adjustment	The amendments to the financial statements were not submitted in time. The matter is still reported.	The reconciliation will be re-worked based on the outcomes of the infrastructure asset reconciliation as referred to under item 20.	31/03/2010	Akhile	
9	52	Inaccuracy of Cash Flow Statement The increase in cash and cash equivalents for the year on the "increase/(decrease) in cash and cash equivalents" line in the cash flow statement, stated that cash and cash equivalents increased by R2,047,840, while cash and cash equivalents have in fact decreased by R2,047,840 according to the movement cash and cash equivalents between the beginning of the year and the end of the year, as disclosed at the end of the cash flow statements. This translates to an error of R4,095,680. The AG is therefore unable to satisfy himself as to the accuracy of the cash flow statement.	The amendment has been made in the AFS.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
9	53	Commitments An amount of R896,000 was incorrectly recognised and included in the commitments of R9,952,660 (2008: R17,780,000), as disclosed in note 32 to the financial statements.					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
9	54	Non-compliance with the Supply Chain Management Regulations Unauthorised, irregular or fruitless and wasteful expenditure Management has not complied with the Supply Chain Management Regulations. An appropriate tender process or request for quotations, as required by the Supply Chain Management Regulations was not followed for the expenditures incurred to the value of R1,659,148. Consequently, expenditure of R1,659,148 should have been disclosed as irregular expenditure.					
		The financial statements have been updated with the recommended adjustments.	Management response noted, but the matter will still be reported and the deviations regarding SCM control will be followed up during next year's audit.	No further action required.			
9	55	Unauthorised, irregular or fruitless and wasteful expenditure Management has also not complied with the Supply Chain Management policy regarding the appointment of the consultant referred to under item 75. A proper tender process.					
		The municipality takes note of the audit finding, but emphasises the capacity constraints within Kannaland.	Management response noted, but the matter will still be reported and the deviations regarding SCM control will be followed up during next year's audit.			Kannaland	

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
9	56	Unauthorised, irregular or fruitless and wasteful expenditure The extent of the irregular expenditure could not be evaluated as a proper supply chain management system does not exist. Consequently, the AG was unable to satisfy himself as to the completeness of irregular expenditure.					
		Capacity constraints cause lack of due performance. These shortcomings can only be addressed with the implementation of a properly populated staff structure with adequate resources to enable compliance.(6.33)	This matter is still reported and will be followed up during next year's audit.			Kannaland	
9	57	Unauthorised, irregular or fruitless and wasteful expenditure Fruitless and wasteful expenditure of R45,409 and R702,279 for the current and previous financial years, respectively relating to interest and penalties on outstanding PAYE, UIF and SDL, were not disclosed as fruitless and wasteful expenditure, as required by section 125(2)(d) of the MFMA.					
		The adjustment has been made in the AFS.	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
10	58	<p>Non-compliance with the Financial Reporting Framework</p> <p>GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors</p> <p>The Statement of Generally Recognised Accounting Practices, GRAP 3, states that changes in accounting policies and errors should be adjusted retrospectively. GRAP 3 also states that in applying paragraph 42 of GRAP 3, and entity shall disclose the following:</p> <p>(a) the nature of the prior period error</p> <p>(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected</p> <p>(c) the amount of the correction at the beginning of the earliest prior period presented, and</p> <p>(d) if retrospective restatement is impracticable for a particular period, the circumstances that led to the existence of that condition and description of how and from when the error has been corrected.</p> <p>Nor the disclosure in the statement of changes in net assets or note 27 "Correction of error" disclosed what the previously reported balance was, what the correction was that was effected to the line item, and what the restated balance was. The financial statements are therefore, in non compliance with the requirements of GRAP 3</p>					
		The adjustment has been made in the AFS,	The amendments to the financial statements were not submitted in time. The matter is still reported. This matter will be qualified in the audit report.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
10	59	<p>GRAP 12 Inventory</p> <p>Unused water was not calculates and recognised in accordance with the accounting policy, disclosed in note 1.11 to the financial statements. This is, therefore, in non compliance with GRAP 12. Consequently, the AG was unable to very the completeness of inventory of R109,880 disclosed in the financial statements.</p>					
		There is no water measurement system in place to monitor bulk inflow into the system, and no telemetry system to measure reservoir levels. Technical Services do not have the capacity to provide this information.(5.1)	This matter is regarded as a limitation of scope.	A process will be put in place in order to identify water inventory.	30/06/2010	Kannaland	

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
10	60	GRAP 12 Inventory Paragraph 45(d) requires disclosure of the amount of Inventory recognised as an expense during the period. An amount of R948,946 was recognised as an expense during the period, but was not disclosed.					
		The stock count differences were not previously taken into account on the financial system. The financial statements have been amended.	The amendments to the financial statements were not submitted in time. The matter is reported in the audit report as part of the disclaimer paragraph.	The correction will be made with immediate effect and disclosed as a correction of error in the 2010 annual financial statements.	28/02/2010	Akhile	Completed
10	61	GRAP 16 Investment Property The statements of Generally Recognised Accounting Practice, GRAP 16 Investment properties, states that all property held for capital appreciation, to earn rentals or held for an undeterminable use must be recognised as investment property in the financial statements. Kannaland Municipality did not recognise any investment property in the financial statements, and is, therefore in contravention with GRAP 16.					
		We agree with the audit finding, but since no contract of can be obtained, nor does the property form part of the current asset register, it is impossible to comply too this accounting standard.	This matter is regarded as non-compliance to the accounting standard and will be qualified in the audit report.	A process will be developed to identify all leased properties and a operational lease register will be established.	30/06/2010	Akhile	
10	62	IAS 19 Employee Benefits Management have not made disclosures regarding retirement benefit obligations, as required by IAS 19 Employee Benefits, and are, therefore, in contravention with the Standards of Generally Recognised Accounting Practice.					
		These disclosures have been added to the AFS.	The amendments to the financial statements were not submitted in time. This matter is regarded as non-compliance with the relevant accounting standards.	These disclosures correction will be made with immediate effect.	28/02/2010	Akhile	Completed

ACTION PLAN TO ADDRESS AUDIT FINDINGS IDENTIFIED IN THE MANAGEMENT LETTER (21 JANUARY 2010)

Audit Rep. Page No.	Item No.	Management Response	Auditor's Response	Proposed Action	Expected Completion Date	Responsibility	Status
11	63	IAS 24 Related Party Disclosure Management have not made disclosure regarding related party balances and transactions in the financial statements, as required by IAS 24 Related party disclosure, and are, therefore, in contravention with the Standard of Generally Recognised Accounting Practice. Related party transactions of R138,055 and related party balances of R33,103 were identified, but not disclosed.	These disclosures have been added to the AFS. The amendments to the financial statements were not submitted in time. This matter is regarded as non-compliance with the relevant accounting standards.	These disclosures correction will be made with immediate effect.	28/02/2010	Akhile	Completed
11	64	IAS 24 Related Party Disclosure Section 45 of the Municipal Supply Chain Management Regulation was not complied with the disclosure of awards made to close family members of persons in the service of the state. A contract was awarded to a concern of whom the owner is related to a council member and an employee at the municipality. An amount of R41,609 was paid to him during the year.	These disclosures have been added to the AFS. The amendments to the financial statements were not submitted in time. This matter is regarded as non-compliance with the relevant accounting standards.	These disclosures correction will be made with immediate effect.	28/02/2010	Akhile	Completed
11	65	IFRS 7 Financial Instruments: Disclosure Management have not made disclosures as required by IFRS 7 Financial instruments Disclosure, and are therefore in contravention with the Standards of Generally Recognised Accounting Practice	These disclosures have been added to the AFS. The amendments to the financial statements were not submitted in time. This matter is regarded as non-compliance with the relevant accounting standards.	These disclosures correction will be made with immediate effect.	28/02/2010	Akhile	Completed

NOTES



FUNCTIONAL SERVICE DELIVERY REPORTING

FUNCTIONAL SERVICE DELIVERY REPORTING

Contents

Function	Sub-Function
General Information	
Executive and Council	
Finance and Administration	Finance
	Human Resources
	Other Administration (Procurement)
Planning and Development	Economic Development
Health	Clinics
	Ambulance
Community and Social Services	All inclusive
Housing	
Public Safety	Police (Traffic)
Waste Management	Solid Waste
Waste Water Management	Sewerage
Road Transport	Roads
	Public Buses
Water	Water Distribution
Electricity	Electricity Distribution
	Street Lighting



FUNCTIONAL SERVICE DELIVERY REPORTING

General Information

Reporting Level	Detail	Total
Overview:	Kannaland Municipality is situated within the area of jurisdiction of the former Garden Route - Klein Karoo District Municipality and includes the towns of Ladismith, Calitzdorp, Zoar and Van Wyksdorp. Kannaland is bordered to the west by Montagu and Swellendam magisterial district boundaries and to the east by the Oudtshoorn magisterial district boundary. The municipal area extends over a distance of 135km east west and 45km north south.	
Information:	Geography:	
	• Geographical area in square kilometres	4,750m ²
	• Note: Indicate source of information 2006-2009 IDP	
	Demography:	
	• Total population	29,270
	• Indigent Population	24,704
	Note: Indicate source of information and define basis of indigent policy including definition of indigent	
	Total number of voters	12,397
	Aged breakdown:	
	• 18-19 years	232
	• 20-25 years	1,271
	• 26-35 years	2,611
	• 36-39 years	1,215
	• 40-49 years	2,685
	• 50-59 years	1,990
	• 60-69 years	1,359
	• 70-79 years	720
	• 80 years and older	314
	Note: Indicate source of information	
	Household income:	
	• over R3,499 per month	716
	• between R2,500 and R3,499 per month	771
	• between R1,100 and R2,499 per month	} 4,820
	• under R1,100 per month	



FUNCTIONAL SERVICE DELIVERY REPORTING

Executive and Council

Reporting Level	Detail	Total
Overview:	Includes all activities relating to the executive and council function of the municipality including costs associated with mayoral, councillor and committee expenses and governance. Note: remuneration of councillor information should appear in Chapter 4 on <i>Financial Statements and Related Financial Information</i> .	
Description of the Activity:	<p>The function of executive and council within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> To exercise its executive and legislative authority and use the resources of the municipality in the best interest of the community Provide democratic and accountable governance Encourage the involvement of the community Strive to ensure that municipal services are rendered to the community in a financial and environmentally sustainable manner Consult the community about the level, quality, range and impact of municipal services and the available options for service delivery Give members of the community equitable access to municipal services Promote and undertake development within the municipal area Promote gender equity Promote a safe and healthy environment Contribute to the progressive realization of the fundamental rights of the constitution. <p>Financial Services Corporate Services and Technical Services</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> Be responsive to the needs of the community Facilitate a culture of public service and accountability among staff Take measures to prevent corruption Establish clear relationships and facilitate co-operation and communication between it and the local community Give members of the community full and accurate information about the level and standard of municipal services that they are entitled to receive Inform the community how the municipality is managed, of the costs involved and the persons in charge. <p>The key issues for 2008/09 are:</p> <ul style="list-style-type: none"> Keeping the community informed of municipal services Addressing the needs of the community 	
Analysis of the Function:	Minimum service delivery of acceptable standards	
	1. Councillor detail:	
	• Total number of Councillors	9
	• Number of Councillors on Executive Committee	3
	2. Ward detail:	
	• Total number of Wards	5
	• Number of Ward Meetings	20
	3. Number and type of Council and Committee meetings:	
	• Council Meetings	16
	• Mayoral Committee Meetings	2
	List here Council meetings, followed by individual committee and the number of times that each met	

FUNCTIONAL SERVICE DELIVERY REPORTING

Finance and Administration

Finance

Reporting Level	Detail																																																																																																													
Overview:	The finance Department is responsible for giving advice to the council as well as the accounting function of the Municipality. The accounting function includes the billing of debtors, Providing facilities for the receipt of money, performing credit control, administering the indigent subsidy and free basic services, manage the budget, financial reporting to council, national and provincial government and compile the annual financial statements.																																																																																																													
Description of the Activity:	<p>The function of finance within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none">Financial management and reporting internally and externally for all stakeholders. <p>These services extend to include accounting for all funds received from national and provincial government and from the district municipality. The municipality has a mandate to:</p> <ul style="list-style-type: none">Collect rates and render services <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none">Facilitate the Budget process and ensure compliance with the IDP,Manage the revenue process and reporting thereof,Manage the financial compliance with the procurement process,Make payments and adhere to reporting requirements andAdherence to all legislative requirements.																																																																																																													
Analysis of the Function:	<p>1. Debtor billings: number and value of monthly billings:</p> <p>A Consolidated account is rendered monthly to each client. Accounts are posted before the end of the month and are due and payable on the 15th of each month.</p> <table><tr><th>Services Billed</th><th>Number of accounts</th><th>Amount Billed (R)</th><th>Amount Received (R)</th></tr><tr><td>Electricity</td><td>813</td><td>9,617,057</td><td>15,311,158</td></tr><tr><td>Water</td><td>2,017</td><td>4,345,628</td><td>4,068,686</td></tr><tr><td>Refuse</td><td>3,989</td><td>2,873,010</td><td>3,413,625</td></tr><tr><td>Sewerage & Sanitation</td><td>2,873</td><td>3,144,925</td><td>3,750,776</td></tr><tr><td>Sundry Debtors</td><td>220</td><td>324,375</td><td>213,764</td></tr><tr><td>Rates and Taxes</td><td>3,274</td><td>6,990,415</td><td>6,634,856</td></tr><tr><td></td><td>13,186</td><td>27,295,410</td><td>33,392,865</td></tr></table> <p>2. Outstanding Debtors as at 30 June 2009:</p> <table><tr><th>Type of Services</th><th>Current (R)</th><th>30 days (R)</th><th>60 days (R)</th><th>90 days (R)</th><th>90 days + (R)</th><th>Total (R)</th></tr><tr><td>Electricity</td><td>1,622,240</td><td>125,916</td><td>50,947</td><td>34,291</td><td>518,149</td><td>2,351,543</td></tr><tr><td>Water</td><td>259,140</td><td>54,056</td><td>70,632</td><td>53,453</td><td>1,491,016</td><td>1,928,297</td></tr><tr><td>Refuse</td><td>214,912</td><td>156,951</td><td>142,508</td><td>138,562</td><td>8,318,315</td><td>8,971,248</td></tr><tr><td>Sewerage & Sanitation</td><td>214,483</td><td>158,652</td><td>147,528</td><td>144,386</td><td>10,644,600</td><td>11,309,649</td></tr><tr><td>Rates and Taxes</td><td>303,810</td><td>126,071</td><td>101,092</td><td>90,868</td><td>8,957,857</td><td>9,579,698</td></tr><tr><td>Sundry Debtors</td><td>64,917</td><td>21,488</td><td>15,655</td><td>14,002</td><td>979,365</td><td>1,095,427</td></tr><tr><td>Total - 30 June 2009</td><td>2,679,502</td><td>643,134</td><td>528,362</td><td>475,562</td><td>30,909,302</td><td>35,235,862</td></tr><tr><td>Total - 30 June 2008</td><td>1,842,439</td><td>506,005</td><td>391,985</td><td>363,601</td><td>23,521,932</td><td>26,625,962</td></tr><tr><td>Year-on-Year Growth*</td><td></td><td></td><td></td><td></td><td></td><td>8,609,900</td></tr><tr><td>Trend</td><td></td><td></td><td></td><td></td><td></td><td>32.34%</td></tr></table>	Services Billed	Number of accounts	Amount Billed (R)	Amount Received (R)	Electricity	813	9,617,057	15,311,158	Water	2,017	4,345,628	4,068,686	Refuse	3,989	2,873,010	3,413,625	Sewerage & Sanitation	2,873	3,144,925	3,750,776	Sundry Debtors	220	324,375	213,764	Rates and Taxes	3,274	6,990,415	6,634,856		13,186	27,295,410	33,392,865	Type of Services	Current (R)	30 days (R)	60 days (R)	90 days (R)	90 days + (R)	Total (R)	Electricity	1,622,240	125,916	50,947	34,291	518,149	2,351,543	Water	259,140	54,056	70,632	53,453	1,491,016	1,928,297	Refuse	214,912	156,951	142,508	138,562	8,318,315	8,971,248	Sewerage & Sanitation	214,483	158,652	147,528	144,386	10,644,600	11,309,649	Rates and Taxes	303,810	126,071	101,092	90,868	8,957,857	9,579,698	Sundry Debtors	64,917	21,488	15,655	14,002	979,365	1,095,427	Total - 30 June 2009	2,679,502	643,134	528,362	475,562	30,909,302	35,235,862	Total - 30 June 2008	1,842,439	506,005	391,985	363,601	23,521,932	26,625,962	Year-on-Year Growth*						8,609,900	Trend						32.34%
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Electricity	1,622,240	125,916	50,947	34,291	518,149	2,351,543																																																																																																								
Water	259,140	54,056	70,632	53,453	1,491,016	1,928,297																																																																																																								
Refuse	214,912	156,951	142,508	138,562	8,318,315	8,971,248																																																																																																								
Sewerage & Sanitation	214,483	158,652	147,528	144,386	10,644,600	11,309,649																																																																																																								
Rates and Taxes	303,810	126,071	101,092	90,868	8,957,857	9,579,698																																																																																																								
Sundry Debtors	64,917	21,488	15,655	14,002	979,365	1,095,427																																																																																																								
Total - 30 June 2009	2,679,502	643,134	528,362	475,562	30,909,302	35,235,862																																																																																																								
Total - 30 June 2008	1,842,439	506,005	391,985	363,601	23,521,932	26,625,962																																																																																																								
Year-on-Year Growth*						8,609,900																																																																																																								
Trend						32.34%																																																																																																								

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail			
Analysis of the Function:	3. Write off of debts:			
		2007/08	2008/09	
		(R)	(R)	
	Electricity	0	0	
	Water	0	0	
	Refuse	0	0	
	Sewerage & Sanitation	0	0	
	Rates and Taxes	0	0	
	Sundry Debtors	0	0	
	Total	0	0	
	4. Electricity statistics as at 30 June 2009:			
		2007/08	2008/09	
		(R)	(R)	
	Number of users	2,924	3,942	
	Units bought (kWh)	47,547,887	45,040,016	
	Units sold (kWh)	42,267,929	45,156,304	
	Units lost in distribution	5,279,958	-116,288	
	Percentage of units lost in distribution	11.10%	-0.26%	
	5. Water statistics as at 30 June 2009:			
		2007/08	2008/09	
		(R)	(R)	
	Number of users	4,007	5,149	
	Units used and bought (KI) (Estimate)	1,749,000	932,549	
	Units sold (KI)	1,495,071	535,527	
	Units lost in distribution	253,929	397,022	
	Percentage of units lost in distribution	14.52%	42.57%	
	6. Property Rates as at 30 June 2009:			
	Sectors	No of Accounts	Amount Billed	Minus: Discount
			(R)	(R)
	Residential	4,148	3,671,178	-1,390,578
	Government	74	759,475	0
	Agricultural	2,826	3,194,698	-1,140,310
	Commercial and Industrial	156	1,236,604	0
	Municipal	1,364	495,482	0
	Other (Churches)	74	331,730	-331,730
	Total	8,642	9,689,167	-2,862,618
				6,826,549

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail					
Analysis of the Function:	7. Property Valuation as at 30 June 2009:					
	Valuation	Land Value (R)	Improvement Value (R)	Total Value (R)		
	Residential	24,475,148	128,705,700	153,180,848		
	Government	2,539,100	28,122,000	30,661,100		
	Agricultural	96,352,907	32,621,500	128,974,407		
	Commercial and Industrial	4,923,070	45,000,400	49,923,470		
	Municipal	5,711,200	14,292,000	20,003,200		
	Other (Churches)	788,100	12,604,300	13,392,400		
	Total	134,789,525	261,345,900	396,135,425		
	8. Indigent Policy:					
	Number of Households affected	2007/08		2008/09		
	Quantity - Water	1,191		1,346		
	Quantity - Electricity	402		1,346		
	Quantity - Sewerage	864		1,346		
	Quantity - Refuse Removal	879		1,346		
	Quantum (total value across municipality)(R)	2,462,000		2,517,067		
	9. Creditor Payments:					
	Data as at 30 June 2009	Current (R)	30 days (R)	60 days (R)	90 days + (R)	Total (R)
	Vehicle Registrations	0	0	0	1,105,311	1,105,311
Accrued Leave Pay	0	0	0	712,891	712,891	
Sundry debtors (Payments in advance)	549,659	0	0	0	549,659	
Trade Creditors	4,429,783	0	0		4,429,783	
Other	1,078,103	0	0	72,941	1,151,044	
Total	6,057,545	0	0	1,891,143	7,948,688	
10. External Loans:						
Data as at 30 June 2009	DBSA			Total		
Balance 1 July 2008	11,520,487			11,520,487		
New loans raised during the year	0			0		
Minus Loans repaid during the year	287,017			287,017		
Adjustments *	0			0		
Balance at 30 June 2009	11,233,470			11,233,470		
Interest Rate	12.50%					
Termination Date	2017/06/30					
* The loan from DBSA has been consolidated and rescheduled to an amount of R11 587 527 that must be repaid in 180 monthly installments commencing on 31 May 2008 with a fixed interest rate of 12.5% per year. An amount of R6 952 466 will be carried as a long term liability but will be written-off over a period of three years.						

FUNCTIONAL SERVICE DELIVERY REPORTING

Finance and Administration

Human Resources

Reporting Level	Detail
Overview:	Includes all activities relating to the human resource management function of the municipality including recruitment, selection and induction - also performance management systems, code of conduct detail and decision making systems. Note: Read in conjunction with Chapter 3 on <i>Human Resource Management</i> .
Description of the Activity:	<ul style="list-style-type: none"> • Provision of Personnel and Employment Equity • Personnel Administration • Work Design and Organisational Development • Labour Relations and Code of Conduct • Performance Management • Staff Training and Development.
Analysis of the Function:	<p>The function of human resource management within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • Recruitment, selection and appointment of staff • Disciplinary hearings • Employee wellness/Assistance programmes • Training and development including learnerships • Administration including leave and termination of service • Skills development plan • Employment equity plan • Promotion of equality and prevention of unfair discrimination Management of community Development Workers programme • Management of Local Labour Forum meetings. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • To establish and maintain a well qualified and competent personnel function • Implement disciplinary actions and address grievances • Effective recruitment • Follow the Employment Equity Plan • Introduce the Skills Development Plan • Effective leave management • Centralise all personnel functions • Finalise the organisational structure and finalise the placement of personnel • Finalise and approve Service agreements • Participate in CDW programmes. <p>The key issues for 2008/09 are:</p> <ul style="list-style-type: none"> • Filling of critical vacancies • Employment Equity and Training • Implementation of new Human Resources System.

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail	Total	Total R (000s)
Analysis of the Function:	1. umber and cost to employer of all municipal staff employed:		14,574
	• Professional (Managerial/Specialist)	6	
	• Field (Supervisory/Foremen)	91	
	• Office (Clerical/Administrative)		
	• Non-professional (blue collar, outside workforce)		
	• Temporary Staff		
	Note: total number to be calculated on full-time equivalent (FTE) basis, providing detail of race and gender according to the breakdown described above. Total cost to include total salary package		

Finance and Administration

Other Administration (Procurement)

Reporting Level	Detail	Total	Total
Overview:	Includes all activities relating to overall procurement functions of the municipality including costs associated with orders, tenders, contract management etc.		
Description of the Activity:	<p>The function of procurement within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> • Raise request to purchase • Negotiate orders and purchases • Expenditure of outstanding orders • Process regulations. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Only approved expenditure is to be committed and paid • Virement to be applied before commitment • Tendering process to be strictly adhered to • Report all possible deviations before they occur. 		
Analysis of the Function:	1. Details of tender / procurement activities:		
	• Total number of times that tender committee met during year		
	• Total number of tenders considered		13
	• Total number of tenders approved		13
	• Average time taken from tender advertisement to award of tender		30 days
	Note: Figures should be aggregated over year across all municipal functions		
	2. Details of tender committee:		
	• Chairperson		
	• Director Financial Services		
	• Corporate Services		
	• Director Technical Services		

FUNCTIONAL SERVICE DELIVERY REPORTING

Community and Social Services

Reporting Level	Detail	Total	Total
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <ul style="list-style-type: none"> Property Management and Housing Town Planning Spatial Planning & Land Use Management Sport & Recreation Traffic Management Services. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> Identify the need for tenure reform and land redistribution and ensure the transfer of properties Dispute resolution management in connection with property ownership and housing & Check the correctness of transfers and deeds registrations Planning and management of municipal properties and commonages & Land invasion control Upkeep of a living housing waiting list Applying for housing subsidies on behalf of beneficiaries with PGWC. 		
Analysis of the Function:	<p>1. Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> Library services Museums and art galleries Other community halls/facilities Cemeteries and crematoriums Child care (including creches etc) Aged care (including aged homes, home help) Schools Sporting facilities (specify) <p>Note: the facilities figure should agree with the assets register</p> <p>2. Number and cost to employer of all personnel associated with each community services function:</p> <ul style="list-style-type: none"> Library services Museums and art galleries Other community halls/facilities Cemeteries and crematoriums Child care Aged care Schools Sporting facilities <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>3. Total operating cost of community and social services function</p>	<p>no of facilities:</p> <p>3</p> <p>3</p> <p>4</p> <p>6</p> <p>13</p> <p>2</p> <p>19</p> <p>4</p> <p></p> <p></p> <p>3</p> <p>2</p> <p>2</p> <p>2</p> <p>13</p> <p>2</p> <p>19</p> <p>4</p> <p></p>	<p>no of users:</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p>R(000s)</p> <p>422</p> <p></p> <p>196</p> <p>26</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p>644</p>

FUNCTIONAL SERVICE DELIVERY REPORTING

Waste Management

Solid Waste

Reporting Level	Detail	Total	Total
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> • Refuse removal and disposal • Street cleaning • Prevention of illegal dumping • Dumping sites and industrial waste. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Identify new dumping sites • Upgrade and maintain waste collecting equipment • Introduce waste management and recycling systems in the municipal area and discourage illegal dumping • Free basic waste collection service implementation. <p>The key issues for 2006/07 are:</p> <ul style="list-style-type: none"> • Identify new dumping sites • Upgrade and maintain waste collecting equipment • Introduce waste management and recycling system in the municipal area and discourage illegal dumping • Free basic waste collection service implemented. 		1,976,3
Analysis of the Function:	1. Number and cost to employer of all personnel associated with refuse removal:		R (000s)
	• Professional (Engineers/Consultants)	} 21	15,000
	• Field (Supervisors/Foremen)		
	• Office (Clerical/Administration)		360,000
	• Non-professional (blue collar, outside workforce)		
	• Contract		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
	2. Number of households receiving regular refuse removal services, and frequency and cost of service:		R (000s)
	• Removed by municipality at least once a week	3,567	2,757
	• Removed by municipality less often	30	
	• Communal refuse dump used	2	
	• Own refuse dump		
	• No rubbish disposal		

FUNCTIONAL SERVICE DELIVERY REPORTING

Waste Management

Sewerage etc

Reporting Level	Detail	Total	Cost R (000s)
Overview:	Includes provision of sewerage services not including infrastructure and water purification, also includes toilet facilities		1,757,000
Description of the Activity:	<p>The sewerage functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> • Provision of access to basic sanitation <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Repair and upgrade of Water Purification and Sewerage Purification plants • Placement of employees and completion of employment contracts • Appointment of adequately qualified personnel into strategic positions • Setting up of service standards and performance goals • Training of employees and establishing of career paths • Develop a replacement policy for redundant vehicles/equipment <p>The key issues for 2006/07 are:</p> <ul style="list-style-type: none"> • Formulate a sanitation plan. • Eradication of bucket system 		95,000
Analysis of the Function:	1. Number and cost to employer of all personnel associated with sewerage functions:		
	• Professional (Engineers/Consultants)	} 12	651
	• Field (Supervisors/Foremen)		
	• Office (Clerical/Administration)		
	• Non-professional (blue collar, outside workforce)		
	• Temporary		
	• Contract		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
	2. Number of households with sewerage services, and type and cost of service:		
	• Flush toilet (connected to sewerage system)	3,236	
	• Flush toilet (with septic tank)	685	
	• Chemical toilet	24	
	• Pit latrine with ventilation	363	195,000
	• Pit latrine without ventilation	369	
	• Bucket latrine	369	
	• No toilet provision	1,021	
	Note: if other types of services are available, please provide details		
	3. Free Basic Service Provision:		
	• Quantity (number of households affected)	1,013	
	• Quantum (value to each household)	R76,299	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		25,000
	4. Total operating cost of sewerage function		5,280

FUNCTIONAL SERVICE DELIVERY REPORTING

Road Transport

Roads

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> • Maintain and upgrade existing gravel roads infrastructure • Maintain existing tarred/paved roads. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Make use of contractors or Eden District Municipality to Redgrave roads and improve stormwater channels • Use own teams to patch surfaces where needed and seal. <p>The key issues for 2006/07 are:</p> <ul style="list-style-type: none"> • Upgrading and maintenance of all roads in Kannaland 		1,361,000 60,000
Analysis of the Function:	<p>1. Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> • Professional (Engineers/Consultants) • Field (Supervisors/Foremen) • Office (Clerical/Administration) • Non-professional (blue collar, outside workforce) • Temporary • Contract <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2. Total kilometres and maintenance cost associated with existing roads provided</p> <ul style="list-style-type: none"> • Tar • Gravel <p>Note: if other types of road provided, please provide details</p> <p>3. Average frequency and cost of re-tarring, re-sheeting roads</p> <ul style="list-style-type: none"> • Tar • Gravel <p>Note: based on maintenance records</p> <p>4. Estimated backlog in number of roads, showing kilometres and capital cost</p> <ul style="list-style-type: none"> • Tar • Gravel <p>Note: total number should appear in IDP, and cost in future budgeted road construction programme</p> <p>5. Type and number of grants and subsidies received:</p> <ul style="list-style-type: none"> • Provincial Government Grant <p>6. Total operating cost of road construction and maintenance function</p>	<p>18</p> <p>45,8km</p> <p>42,6km</p> <p>potholes only</p> <p>42,6</p> <p>13</p> <p>1</p>	<p>R (000s) 1,234</p> <p>590</p> <p>52</p> <p>371</p> <p>52</p> <p>R 409,000</p>

FUNCTIONAL SERVICE DELIVERY REPORTING

Water

Water Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		1,611,000
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none">Provision of water to people within RDP standards. <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none">Repair and upgrade of Water Purification and Sewerage Purification PlantsPlacement of employees and completion of employment contractsAppointment of adequately qualified personnel into strategic positionsSetting up of service standards and performance goalsTraining of employees and establishing of career pathsDevelop a replacement policy for redundant vehicles/equipment <p>The key issues for 2006/07 are:</p> <ul style="list-style-type: none">To provide a service that pro-actively meets the needs of the community of Kannaland		180,000
Analysis of the Function:	1. Number and cost to employer of all personnel associated with the water distribution function:		
	<ul style="list-style-type: none">Professional (Engineers/Consultants)	}	R (000s)
	<ul style="list-style-type: none">Field (Supervisors/Foremen)		304
	<ul style="list-style-type: none">Office (Clerical/Administration)		
	<ul style="list-style-type: none">Non-professional (blue collar, outside workforce)		
	<ul style="list-style-type: none">Temporary		
	<ul style="list-style-type: none">Contract		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.		
	2. Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer		
	<ul style="list-style-type: none">Category 1 Residential	}	
	<ul style="list-style-type: none">Category 2 Pensioners and Old Age Homes		140
	<ul style="list-style-type: none">Category 3 Prepaid Meters		
	<ul style="list-style-type: none">Category 4 Industrial		
	<ul style="list-style-type: none">Category 5 Schools, Churches and Boarding Houses		
	<ul style="list-style-type: none">Category 6 Commercial (including B&B's and Guest Houses)		
	<ul style="list-style-type: none">Category 7 Standpipe		
	3. Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:		
<ul style="list-style-type: none">Category 1 Residential	}		
<ul style="list-style-type: none">Category 2 Pensioners and Old Age Homes		3,150	
<ul style="list-style-type: none">Category 3 Prepaid Meters			
<ul style="list-style-type: none">Category 4 Industrial			
<ul style="list-style-type: none">Category 5 Schools, Churches and Boarding Houses			
<ul style="list-style-type: none">Category 6 Commercial (including B&B's and Guest Houses)			
<ul style="list-style-type: none">Category 7 Standpipe			

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail	Total	Cost R (000s)
Analysis of the Function:	4. Number of households with water service, and type and cost of service:		
	• Piped water inside dwelling	4,077	
	• Piped water inside yard	1,053	
	• Piped water on community stand: distance < 200m from dwelling	345	
	• Piped water on community stand: distance > 200m from dwelling	231	
	• Borehole	66	
	• Spring	21	
	• Rain-water tank	18	
	5. Free Basic Service Provision:		
	• Quantity (number of households affected)	1,013	
	• Quantum (value to each household)	R34,118	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
	6. Type and number of grants and subsidies received:		
	• Municipal Infrastructure Grant	1	76
	• Eden District Municipality	1	804
	Note: total value of specific water grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
	7. Total operating cost of water distribution function		R2,849



FUNCTIONAL SERVICE DELIVERY REPORTING

Electricity

Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		14,115,000
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <ul style="list-style-type: none"> • Maintenance of networks - low voltage and high voltage • Construction of networks - low voltage and high voltage • Customer Care • Testing, protection and metering • Consumer connections * Planning and designing of networks • Electrical maintenance of all municipal facilities <p>CALITZDORP</p> <ul style="list-style-type: none"> • Overhead connection with prepayment meter • Underground cables with credit meters to businesses and manufacturers • Underground connection with credit or prepayment meters <p>LADISMITH</p> <ul style="list-style-type: none"> • Underground connection with credit meters • Underground connection with prepayment meters • Overhead connection with credit and prepayment meters <p>Underground cables with credit meters to businesses and manufacturers</p> <p>The strategic objectives of this function are to:</p> <ul style="list-style-type: none"> • Install 4 high mast lights by 2009 • Reduce electricity losses • Bulk supply in Kannaland Municipal area by placing substations in Calitzdorp and Ladismith • Implementation of free basic electricity scheme to all by 2010 • Supply of electricity for farming community • Provision of high standard of customer care service by end 2007 • Establishing of sustainable electricity network by upgrading of 25% of the network by 2009. <p>The key issues for 2006/07 are:</p> <ul style="list-style-type: none"> • The maintenance of the high and low voltage systems • Maintenance of streetlights • Metering and testing • Maintenance of buildings and recreational facilities of the municipality • Optimum utilisation of personnel. 		1,134,000

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail	Total	Cost R (000s)
Analysis of the Function:	1. Number and cost to employer of all personnel associated with the electricity distribution function:		
	• Professional (Engineers/Consultants)	7	1,050
	• Field (Supervisors/Foremen)		
	• Office (Clerical/Administration)		
	• Non-professional (blue collar, outside workforce)		
	• Temporary		
	• Contract		
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.		
	2. Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer		
	• Residential	7	7,840
	• Commercial		
	• Industrial		
	• Mining		
	• Agriculture		
	• Other		
	3. Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:		
	• Household	7	11,838
	• Commercial		
	• Industrial		
	• Mining		
	• Agriculture		
	• Other		
	4. Number of households with electricity access, and type and cost of service:		
	• Electrified areas		
	• Municipal	4,929	
	• Eskom		
	• Alternate energy source		
	• Gas	6	
	• Paraffin	18	
	• Solar	48	
	• Wood	12	
	• Non electrified	1,059	
	Note: if other types of services are available, please provide details		
	5. Number and cost of new connections:		
	• Ladismith RDP Housing Project	363	993
	7. Number and total value of electrification projects planned and current:		
	• Current (financial year after year reported on)	1	
	• Planned (future years)	2	
	Note: provide total project and project value as per initial or revised budget		

FUNCTIONAL SERVICE DELIVERY REPORTING

Reporting Level	Detail	Total	Cost R (000s)
Analysis of the Function:	8. Anticipated expansion of electricity service:		
	• Install 2 high mast lights per annum	8	
	• Design master plan to reduce electricity losses		
	• Build one substations per 30 months		
	• Implementation of information technology system		
	• Installation of 100 house connections to farm households		
	• Installation of communications systems		
	• Upgrading of networks per ward		
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		
	9. Estimated backlog in number (and cost to provide) water connection:		
	• Backlog 400 houses	400	1,094
	Note: total number should appear in IDP, and cost in future budgeted capital housing programmes		
	10. Free Basic Service Provision:		
	• Quantity (number of households affected)	1013	
	• Quantum (value to each household)		400
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
	11. Type and number of grants and subsidies received:		
	• Equitable Share Grant	1	612
	• Contribution Electricity	1	536
	Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
	12. Total operating cost of electricity distribution function		R12 228



NOTES



ANNEXURES

ANNEXURE A: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2009



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

ANNEXURE A: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2009

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ANNEXURE A: ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDING 30 JUNE 2009

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 31, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

K DE LANGE
MUNICIPAL MANAGER

DATE: 2.February.2009

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

NET ASSETS & LIABILITIES	Note	2009 R	2008 R
Net Assets		237,845,931	49,192,778
Housing development fund	2	760,427	760,427
Government Grant Reserve		56,206,546	43,409,023
Accumulated surplus/(deficit)		180,878,958	5,023,328
Non-current liabilities		18,810,533	19,591,763
Interest bearing borrowings	3	17,883,767	18,209,071
Finance lease liability	4	90,506	163,447
Provisions	6	350,000	765,500
Consumer deposits	5	486,260	453,746
Current liabilities		26,106,180	18,487,476
Provisions	6	750,000	666,500
Trade and other payables	7	7,948,688	5,957,300
Unspent conditional grants and receipts	8	12,989,188	10,969,612
SARS liabilities	9	4,093,988	152,271
Interest bearing borrowings	3	324,317	741,793
Total Net Assets and Liabilities		282,762,644	87,272,017
ASSETS			
Non-current assets		264,150,061	70,910,748
Property, plant & equipment	10	261,713,408	68,761,637
Loans and receivables	11	17,131	19,917
Investments	16	2,419,522	2,129,194
Current assets		18,612,583	16,361,269
Inventories	12	109,860	349,844
Consumer debtors	13	6,940,416	3,583,487
Other debtors	14	3,502,382	801,075
SARS receivables	15	-	1,519,098
Loans and receivables	11	2,786	2,786
Cash and cash equivalents	17	8,057,139	10,104,979
Total Assets		282,762,644	87,272,017

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDING 30 JUNE 2009

REVENUE	Note	2009 R	2008 R
Property rates	18	6,634,956	6,542,647
Service charges	19	26,544,246	23,324,107
Rental of facilities and equipment		308,469	191,994
Investment Revenue – external investments	21	1,266,879	1,434,906
Interest earned – outstanding debtors		840,421	744,281
Dividends received		-	224
Fines		1,960,769	641,424
Licenses and permits		-	80,593
Income from agency services		611	290,304
Government grants and subsidies received	20	27,962,818	52,229,500
Gains on disposal of assets		373,343	-
Other revenue	22	908,022	1,502,463
Total Revenue		66,800,533	86,982,443
EXPENDITURE			
Employee related cost	23	14,971,620	12,989,932
Remuneration of councillors	24	2,010,257	1,855,577
Bad debts		4,313,540	2,800,000
Collection costs		15,108	-
Depreciation and amortisation		461,616	3,011,301
Repairs and maintenance		1,814,825	2,491,825
Finance cost	25	1,577,078	2,489,795
Fines Paid		30,218	-
Bulk purchases	26	13,207,345	9,966,781
Contracted Services		-	366,670
Grants and subsidies paid		1,266,106	9,746,843
General expenses		15,376,969	5,637,253
Provision for Landfill site		-	1,232,000
Total Expenditure		55,044,682	52,587,978
Fair value adjustment		177,599,581	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		189,355,432	34,394,465

STATEMENT OF CHANGES IN NETT ASSETS

FOR THE YEAR ENDING 30 JUNE 2009

	Housing Development Fund R	Government Grant Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2007	760,427	20,395,566	(6,122,060)	15,033,933
Net surplus for the year	-	-	34,394,465	34,394,465
Capital grants used to purchase PPE	-	23,013,457	(23,013,457)	-
Offsetting of depreciation	-	-	-	-
Movements during the year	-	-	(20,415)	(20,415)
Balance at 30 June 2008	760,427	43,409,023	5,238,533	49,407,983
Balance at 1 July 2008				
Correction of error (note 27)	-	-	(215,205)	(215,205)
Restated balance	760,427	43,409,023	5,023,328	49,192,778
Changes in equity for 2008				
Net surplus for the year	-	-	189,355,432	189,355,432
Movements during the year	-	-	(702,279)	-
Property, plant and equipment purchased	-	12,797,523	(12,797,523)	-
Capital grants used to purchase PPE	-	-	-	-
Donated/contributed PPE	-	-	-	-
Offsetting of depreciation	-	-	-	-
			-	
Balance at 30 June 2009	760,427	56,206,546	180,878,958	238,548,210

STATEMENT OF CASH FLOW

FOR THE YEAR ENDING 30 JUNE 2009

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2009 R	2008 R
Cash receipts from ratepayers, government and others		65,349,020	84,055,231
Cash paid to suppliers and employees		(49,274,809)	(42,989,596)
Cash generated from / (utilized in) operations	30	16,266,993	41,065,636
Dividend recieved		-	224
Interest received		1,266,879	2,179,187
Interest paid		(1,577,078)	(2,489,795)
Net cash from operating activities		15,956,794	40,755,252
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,805,691)	(36,443,203)
(Increase)/decrease in non-current receivables		2,786	2,575
(Increase)/decrease in non-current investments		(290,328)	(256,147)
Net cash used in investing activities		(13,093,233)	(36,696,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(742,780)	(934,815)
Payment of finance lease liabilities		(72,941)	-
Net cash used in financing activities		(815,721)	(934,815)
Increase/(decrease) in cash and cash equivalents		2,047,840	3,123,662
Cash and cash equivalents at beginning of the year		10,104,979	6,981,317
Cash and cash equivalents at end of the year		8,057,139	10,104,979

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FOR THE YEAR ENDING 30 JUNE 2009

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008.

These standards are summarised as follows:

GRAP 1: Presentation of financial statements.
 GRAP 2: Cash flow statements.
 GRAP 3: Accounting policies, changes in accounting estimates and errors.
 GRAP 4: The effects of changes in foreign exchange transactions.
 GRAP 5: Borrowing costs.
 GRAP 6: Consolidated and separate financial statements.
 GRAP 7: Investments in associates.
 GRAP 8: Interests in joint ventures.
 GRAP 9: Revenue from exchange transactions.
 GRAP 10: Financial reporting in hyper-inflationary economies
 GRAP 11: Construction contracts.
 GRAP 12: Inventories.
 GRAP 13: Leases.
 GRAP 14: Events after reporting date.
 GRAP 16: Investment property.
 GRAP 17: Property, plant and equipment.
 GRAP 19: Provisions, contingent liabilities, and contingent assets.
 GRAP 100: Non-current assets held for sale and discontinued operations.
 GRAP 101: Agriculture.
 GRAP 102: Intangible assets.

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

These annual financial statements have been prepared on a going concern basis.

In preparing the annual financial statements to conform with the standards of GRAP, management is required to make estimates, judgements and assumptions that affect the

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FOR THE YEAR ENDING 30 JUNE 2009

amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgements and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

1.4 RESERVES

1.4.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources.

The cash is transferred to a designated CRR bank account or investment account and can only be used to finance items of property, plant and equipment as specified in MFMA Circular 18. Additional transfers to the CRR are done in terms of a council resolution (Number... dated...). The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

1.4.2 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.3 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made

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FOR THE YEAR ENDING 30 JUNE 2009

from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.4 Self-Insurance Reserve

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception. These surpluses arose from the differences between premiums charged against claims paid and various administrative expenditure incurred.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

1.5 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. The present value of rehabilitation future costs to be capitalised to the asset. Provision is made for this obligation in accordance with the Municipality's Accounting Policy on non-current provisions.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

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FOR THE YEAR ENDING 30 JUNE 2009

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<i>Infrastructure</i>	<i>Years</i>
Roads, pavements	30
Street names	5
Water reservoirs	15 - 20
Electricity	20 - 30
Sewerage	15 - 20
Housing	30
Refuse sites	15

<i>Community Assets</i>	<i>Years</i>
Parks and gardens	10 - 30
Sport fields	20 - 30
Community halls	30
Libraries	30
Recreation facilities	20 - 30
Clinics	30
Fire services	30
Cemeteries	30

<i>Other Assets</i>	<i>Years</i>
Motor vehicles	5
Plant and equipment	2 - 15
Security measures	3 - 10
Buildings	30
IT equipment	3 - 5
Office equipment	3 - 7
Specialised vehicles	10

Heritage assets

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

In terms of Directive 4 the Municipality is entitled to take advantage of the GRAP transitional provisions on Property, Plant and equipment until they expire, which is the financial year 2008/2009 for Medium capacity Municipalities. As a result both measurement and disclosure requirements of GRAP 17 need not be complied with.

Due to the Municipality having taken advantage of the GAMAP transitional provisions as well as the three year measurement exemption above, until expiration of these provisions and all classes of Property, plant and Equipment are measured according to GRAP 17, the municipality has not complied with the following:

GRAP 1: Presentation of Financial Statements, GRAP 100 as well as the recognition criteria in: Non-current Assets Held for sale and Discontinued operations; GRAP 102, GRAP 13: Leases and GRAP 19: Provisions, Contingent Liabilities and Contingent Assets.

Impairments of non-monetary assets have also not been assessed

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

1.6 IMPAIRMENT OF ASSETS

Impairments of Non-financial assets

Non-Financial assets, excluding investment property, biological assets and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

A servitude will only become impaired if the line to which the servitude is linked is derecognised. In practice a derecognised line will be refurbished or replaced by a new line. The likelihood of the impairment of a servitude right is remote.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata

basis, to the assets in the cash-generating unit. Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, an cumulative gains or losses that have been accumulated in equity are removed from equity as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

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FOR THE YEAR ENDING 30 JUNE 2009

1.7 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment, refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal instalments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

The Municipality as Lessor

Amounts due from lessee under finance leases are recognised in the statement of financial position and presented as a receivable at an amount equal to the net investment in the lease. The difference between the gross receivable and the cost of the asset is recognised as unearned finance income. Finance income is recognised based on a pattern reflecting a

constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in the statement of financial performance. Initial direct costs incurred in negotiating and arranging the operating lease are included in the carrying amount of the leased asset and recognised in the statement of financial performance on a straight-line basis over the lease term.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

1.8 FINANCIAL INSTRUMENTS

Financial instruments are initially measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

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FOR THE YEAR ENDING 30 JUNE 2009

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.8.1 Financial Assets

Financial assets are recognised in the municipality's statement of financial position when the municipality becomes a party to the contractual provisions of an instrument. Regular way purchases and sales of financial assets are recorded on the trade date.

The municipality classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, held-to-maturity as well as available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

1.8.1.1 Financial assets at fair value through profit and loss

An instrument is at fair value through profit or loss if it is held for trading or designated as such. Purchase or sale decisions with regard to these investments are managed in accordance with the municipality's documented risk or investment strategy. Financial assets at Fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. The net gain or loss recognised in the statement of financial performance incorporates any dividend or interest earned on the financial asset.

1.8.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active

market. They are included in current assets, except for maturities in excess of 12 months. These are classified as non-current assets. They include short-term receivables, such as property rates, trade and other receivables, and long-term receivables, such as loans granted. This category may also include financial assets that would have been impaired or past due if the terms of the instrument were not renegotiated.

Loans and receivables are recognised initially at fair value, plus transaction costs. Subsequently items in this category are measured at amortised cost using the effective interest rate, and interest income is included in the statement of financial performance for the period. Net gains or losses represent; reversals of impairment losses, impairment losses, refer to impairment of assets policy 1.5 as well as gains or losses on derecognition. These net gains and losses are included in the statement of financial performance.

1.8.1.3 Held-to-maturity investments

Debt securities that the Municipality has the expressed intention and ability to hold to a fixed maturity date are recognised on a trade date basis and are initially measured at fair value plus transaction cost.

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Surplus funds are invested in terms of Council's Investment Policy.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

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FOR THE YEAR ENDING 30 JUNE 2009

1.8.1.4 Available for sale assets

Non-derivative assets that do not fall into any of the other categories are classified as available for sale. These financial instruments are stated at fair value plus transaction costs. Fair value is determined with reference to quoted market prices. Gains and losses arising from changes in fair value, with the exception of impairment losses, refer to impairment of assets policy 1.6, are recognised directly in equity in the Mark-to-Market reserve.

Dividends on available for sale equity instruments are recognised in the surplus or deficit when the Municipality's right to receive payment is established.

1.10.1 Financial Liabilities

Financial liabilities are recognised in the municipality's statement of financial position when the municipality becomes party to the contractual provisions of the instrument.

The municipality classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued/obtained.

1.10.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at Fair Value Through Profit or Loss where the financial liability is either held for trading or it is designated as at Fair Value Through Profit or Loss.

Financial liabilities at Fair Value Through Profit or Loss are stated at fair value, with any resultant gain or loss recognised in the statement of financial performance. Interest expense is calculated using the effective interest rate method and included as part of finance costs in the Statement of Financial Performance.

1.10.1.2 Other financial liabilities

Other financial liabilities, including interest bearing borrowings, are initially measured at fair value, net of transaction costs.

Subsequently, other financial liabilities are measured at amortised cost using the effective rate method, with interest costs being recognised on an effective yield basis.

1.11 INVENTORIES

Inventories are initially measured at cost which cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

1.12 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments

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FOR THE YEAR ENDING 30 JUNE 2009

are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is reversed.

The municipality on initial adoption of the standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment. Due to the non-recognition of such assets, the requirements of the Standard on Provisions, Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions. All necessary disclosure for those

assets not recognised as Property, Plant and Equipment have been made.

The necessary disclosures have been made for non-recognition of provisions (which form part of the cost of an asset).

1.14 EMPLOYEE BENEFITS

1.14.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.14.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.14.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.15 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.15.1 Revenue from exchange transactions

Rendering of services

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue

when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

Sale of goods

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

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FOR THE YEAR ENDING 30 JUNE 2009

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. '

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

1.15.2 Revenue from non-exchange transactions Fines

Revenue from fines is recognised when payment is received and the revenue from the issuing of spot fines and summonses is recognised when collected together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as

revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.15.3 Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

1.15.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.16 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

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FOR THE YEAR ENDING 30 JUNE 2009

1.17 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period com

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

2. HOUSING DEVELOPMENT FUND	2009 R	2008 R
	760,247	760,247
Unappropriated Surplus	-	-
Loans estinguished by Government in April 1998	760,247	760,247
The Housing Fund is represented by the following assets and liabilities:		
	111,505	111,505
Housing Rental Debtors	648,922	648,922
Bank and cash		
	760,427	760,247
3. LONG- TERM LIABILITIES		
Annuity Loans	11,255,627	11,998,407
Annuity Loans - Restructured Loan	6,952,457	6,952,457
Sub-total	18,208,084	18,950,864
Less : Current portion transferred to current liabilities	324,317	741,793
Annuity Loans	324,317	741,793
Capitalised Lease Liability	-	-
Total External Loans	17,883,767	18,209,071

3.1 Summary of arrangements

Annuity Loans are repaid over periods varying from one to fifteen years and at interest rates varying from 11.55 % to 12.5% per annum. Annuity Loans are not secured.

Fixed Deposit of R 2,419,522 (2008: R2,129,194) has been pledged to DBSA as guarantees on external loans taken up. (See notes 16)

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

23.2 Breach of loan agreement

The municipality has contravened section 138(A) of the MFMA as instalment payments on DBSA has not been paid for 10 months. The loan has now been rescheduled to be redeemed in 15 years at 12.50 % fixed interest with the first instalment to be paid on 31 May 2008.

The municipality entered into an agreement with DBSA that if the municipality would be able to service its loans timeously during the next three financial years, then a loan of R6,952,457 will be written off by the bank.

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

4. FINANCE LEASE LIABILITY

		2009 R	2008 R
2009	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases			
Within one year	93,966	21,026	72,941
Within two to five years	100,312	9,806	90,506
	<u>194,278</u>	<u>30,832</u>	<u>163,447</u>
Less: Amount due for settlement within 12 months (current portion)			(72,941)
			<u>90,506</u>
2008	Minimum lease payment	Future finance charges	Present value of minimum lease payments
Amounts payable under finance leases			
Within one year	75,696	23,939	51,758
Within two to five years	194,278	30,832	163,447
	<u>269,974</u>	<u>54,770</u>	<u>215,204</u>
Less: Amount due for settlement within 12 months (current portion)			(51,758)
			<u>163,447</u>

5. CONSUMER DEPOSITS

Water and electricity		
	<u>486,260</u>	<u>453,746</u>

No interest is paid on consumer deposits.

Management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

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FOR THE YEAR ENDING 30 JUNE 2009

6. NON- CURRENT PROVISIONS

	2009	2008
R	R	R

Rehabilitation of Landfill sites

In terms of the licencing of the landfill refuse site, council will incur rehabilitation costs of R1.0 million to restore the site at the end of its useful life.

	Illegal Dumping	Landfill sites	Total
The movement in the non-current provisions are			
30 June 2009			
Balance at beginning of year	100,000	1,332,000	1,432,000
Contributions to provision	-	(332,000)	(332,000)
Sub Total	100,000	1,000,000	1,100,000
Transfer to current	-	(750,000)	(750,000)
			-
Balance at end of year	100,000	250,000	350,000
30 June 2008			
Balance at beginning of year	100,000	100,000	200,000
Transfer to current		1,232,000	1,232,000
Contributions to provision	100,000	1,332,000	1,432,000
Expenditure incurred	-	(666,500)	(666,500)
Balance at end of year	100,000	665,500	765,500

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FOR THE YEAR ENDING 30 JUNE 2009

7. TRADE AND OTHER PAYABLES

	2009 R	2008 R
30 June 2009		
Trade creditors	4,429,783	2,441,926
Payments received in advance	549,659	438,158
Finance Lease	72,941	51,758
Staff Leave	712,891	855,739
Other Creditors	2,183,414	2,169,718
Total Trade and Other Payables	7,948,688	5,957,300

The average credit period on purchases is 30 days from the receipt of the invoice (as determined by the MFMA). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Financial Management grant	-	620,703
MIG	1,255,152	1,328,252
Provincial grants and other	11,734,036	9,020,657
	12,989,188	10,969,612

See Note 20 for reconciliation of grants by other spheres of government.

9. SARS -Liability

VAT Payable	1,737,595	-
PAYE, UIF & SDL Payable	2,356,392	152,271
	4,093,988	152,271

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FOR THE YEAR ENDING 30 JUNE 2009

10. PROPERTY, PLANT & EQUIPMENT	Land and Buildings	Infrastructure	Other Assets	Housing Development Fund	Total
	R	R	R	R	R
Carrying values at 1 July 2008	-	51,852,549	5,394,049	11,515,019	68,761,617
Cost	-	79,006,520	9,801,812	13,152,693	101,961,025
Accumulated depreciation – cost	-	(27,153,971)	(4,407,763)	(1,637,674)	(33,199,408)
Acquisitions	-	-	8,168	-	8,168
Capital under construction	-	12,797,523	-	-	12,797,523
Depreciation – based on cost	-	-	(2,402,602)	-	(2,402,602)
Fair Value Adjustment	-	152,620,546	(1,633,578)	-	150,986,968
Depreciation – Fair Value Adjustment	-	27,153,971	4,407,763	-	31,561,734
Carrying value of disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Carrying values at 30 June 2009	-	244,424,590	5,773,799	11,515,019	261,713,408
Cost	-	244,424,590	8,176,402	13,152,693	265,753,684
Accumulated depreciation – cost	-	-	(2,402,602)	(1,637,674)	(4,040,276)
Carrying values at 1 July 2007	-	28,228,257	4,128,049	2,973,428	35,329,734
Cost	-	53,006,880	8,048,998	4,461,963	65,517,841
Accumulated depreciation – cost	-	(24,778,623)	(3,920,949)	(1,488,535)	(30,188,107)
Acquisitions	-	491,106	1,752,814	-	2,243,920
Capital under construction	-	25,508,534	-	8,690,730	34,199,264
Depreciation – based on cost	-	(2,375,348)	(486,814)	(149,139)	(3,011,301)
Carrying value of disposals	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	-	51,852,549	5,394,049	11,515,019	68,761,617
Cost	-	79,006,520	9,801,812	13,152,693	101,961,025
Accumulated depreciation – cost	-	(27,153,971)	(4,407,763)	(1,637,674)	(33,199,408)

The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

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FOR THE YEAR ENDING 30 JUNE 2009

11. LONG-TERM RECEIVABLES

	2009 R	2008 R
Loans to Sport Clubs	19,917	22,703
Less : Current portion transferred to current receivables	(2,786)	(2,786)
Total Long-term Receivables	17,131	19,917

Golf Club Loan

The loan to the Ladismith Golf Club will be redeemed over a period of 20 years at a interest rate of 8 % and will be redeemed in December 2014

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

12. INVENTORY

Consumable stores - at cost	109,860	349,844
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13. CONSUMER DEBTORS

	Gross Balances	Provision for Doubtful Debts	Net Balance
30 June 2009			
Service debtors			
Rates	10,556,854	8,496,426	2,060,428
Electricity	2,259,923	538,995	1,720,928
Water	1,857,924	480,034	1,377,890
Sewerage	10,856,962	10,081,557	775,405
Refuse removal	8,612,411	7,894,660	717,751
Sundries	595,703	419,195	176,508
Housing rentals	111,505	-	111,505
	34,851,282	27,910,866	6,940,416
30 June 2008			
Service debtors			
Rates	7,876,989	6,628,477	1,248,512
Electricity	1,475,044	455,695	1,019,349
Water	1,382,043	405,846	976,197
Sewerage	8,738,270	8,523,483	214,787
Refuse removal	6,740,700	6,674,564	66,136
Housing rentals	412,916	354,410	58,506
	26,625,962	23,042,475	3,583,487

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

13. CONSUMER DEBTORS (continued)

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balances of rates. The municipality enforces its approved credit control policy to ensure the recovery of the consumer debtors.

There is an inherent risk in the debtor's book to the value of unverified data.

Management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

	2009	2008	
	R	R	
Ageing of consumer debtors			
<i>Rates ageing</i>			
Current (0-30 days)	303,810	388,703	
31–60 days	126,071	144,294	
61–90 days	101,092	117,203	
91–120 days	90,868	111,944	
120+ days	8,957,857	7,114,845	
	9,579,698	7,876,989	
<i>Electricity, water, sewerage, refuse removal and sundry ageing</i>			
Current (0-30 days)	2,369,450	1,445,805	
31–60 days	511,500	354,476	
61–90 days	421,707	267,751	
91–120 days	378,990	244,981	
120+ days	21,863,012	16,023,044	
	25,544,659	18,336,057	
<i>Housing rentals: ageing</i>			
Current (0-30 days)	6,242	7,932	
31–60 days	5,562	7,235	
61–90 days	5,562	7,032	
91–120 days	5,704	6,675	
120+ days	88,434	384,042	
	111,504	412,916	
Consumer debtors per category			
	Consumers	Industrial/ Commercial	National & Provincial
30 June 2009			
Current (0-30 days)	611,236	1,578,184	(59,520)
31–60 days	564,801	39,207	39,126
61–90 days	508,840	18,171	1,350
91–120 days	466,262	8,596	704
120+ days	29,581,497	133,851	1,193,897
	31,732,636	1,778,009	1,175,557

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

13. CONSUMER DEBTORS (continued)

		2009	2008
	R	R	R
30 June 2008			
Current (0-30 days)	1,256,270	497,503	88,666
31-60 days	462,306	25,596	18,103
61-90 days	353,803	19,387	18,795
91-120 days	339,602	12,065	11,934
120+ days	22,682,604	342,260	467,068
	25,094,585	896,811	604,566

Reconciliation of Provision for impairment

Balance at beginning of year	23,042,475	24,600,596
Impairment losses recognised	4,868,391	3,137,302
Amounts written off as uncollectable	-	(4,695,423)
Balance at year end	27,910,866	23,042,475

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

14. OTHER DEBTORS

Sundry debtors	118,695	622,723
Fuel deposit	50,000	50,000
Grant Debtors (Ref Note 20)	3,333,688	-
Salary control accounts	-	708,882
Less: Provision for Impairment	-	(580,530)
	3,502,382	801,075

Reconciliation of Provision for impairment

Balance at beginning of year	580,530	917,832
Impairment losses recognised	-	-
Amounts written off as uncollectable	(580,530)	(337,302)
Balance at year end	-	580,530

The average credit period for other debtors is 30 days. No interest is charged on other receivables for the first 30 days from the date of the invoice. The municipality enforces its approved credit control policy in an attempted to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

14. OTHER DEBTORS (continued)

2009
R

2008
R

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratio's of other debtors were also taken into account for fair value determination.

The provision for impairment was calculated on each every debtors risk profile and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

15. VAT

VAT receivable

-

1,519,098

VAT is payable on the cash basis. Only once payment has been received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16. INVESTMENT

Long term investments

2,419,522

2,129,194

17. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Account Number 112 000 001 9 (ABSA)

Bank statement balance at beginning of year

414,428

1,618,000

Bank statement balance at end of year

471,029

414,428

Current Account

Account Number 621-6355-4580 (FNB)

Bank statement balance at beginning of year

1,552,853

-

Bank statement balance at end of year

1,836,793

1,552,853

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FOR THE YEAR ENDING 30 JUNE 2009

17. BANK, CASH AND OVERDRAFT BALANCES (continued)

	2009 R	2008 R
<u>Account Number 527 827 302 31 (FNB)</u>		
Bank statement balance at beginning of year	458,612	118,301
Bank statement balance at end of year	1,204,777	458,612
 Call Account		
<u>Account Number 9117177062 (ABSA)</u>		
Bank statement balance at beginning of year	9,581,430	6,784,600
Bank statement balance at end of year	4,791,267	9,581,430
 Summary		
Cash book balance at beginning of year	10,154,979	6,979,967
Cash book balance at end of year	3,235,703	451,628
Cash on Hand	2,000	1,350
Bank statement balance at beginning of year	12,007,323	8,520,901
Bank statement balance at end of year	8,303,866	12,007,323
Call investments	4,819,437	9,652,001

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Cash book balances at year-end were restated to exclude Fuel deposits, Cash on Hand and Call Investments

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

18. PROPERTY RATES

	2009 R	2008 R
Actual		
Residential	7,025,207	6,531,951
Commercial	1,281,571	1,113,199
State	762,494	745,939
Municipal	511,412	398,556
Less: Income foregone	(2,918,008)	(2,246,998)
Total Assessment Rates	6,662,676	6,542,647

	R000's	R000's
Valuations		
Residential	304,975	283,511
Government	51,873	48,316
Commercial	30,792	32,376
Municipal	23,082	17,299
Other	410,722	381,502

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2004. An interim valuation was performed in the year under review on individual property values due to alterations and subdivisions. The result of the valuation will only come into effect in the new financial year.

Rates are levied annually on property owners and are payable by 30 September. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the 7th of each month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

19. SERVICE CHARGES

Sale of electricity	15,311,158	12,853,238
Sale of water	4,068,686	4,169,230
Refuse removal	3,413,625	2,943,580
Sewerage and sanitation charges	3,750,776	3,358,059
	26,544,246	23,324,107

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS

	2009	2008
	R	R
Equitable share	9,925,473	7,718,865
MIG	73,100	24,195,610
National Recovery Plan	4,722,931	6,515,002
National projects	11,120,188	3,257,155
Provincial projects other	2,116,829	9,867,150
Other	4,296	675,718
Total Government Grants & Subsidies	27,962,818	52,229,500

20.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

20.2 Finance Management Grant

Balance unspent at beginning of year	620,703	460,169
Current year receipts	250,000	500,000
Adjustments	-	(67,859)
Conditions met – transferred to revenue	(1,149,143)	(271,607)
Unspent amount transferred to liabilities (see note 14)	(278,440)	620,703

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.

20.3 Municipal Infrastructure Grant

Balance unspent at beginning of year	1,328,252	770,733
Current year receipts	-	24,753,129
Conditions met – transferred to revenue	(73,100)	(24,195,610)
Unspent amount transferred to liabilities	1,255,152	1,328,252

The grant was used to construct roads and sewerage infrastructure (included sewerage votes in Appendix B). No funds have been withheld.

20.4 Provincial : Valuation

Balance unspent at beginning of year	1,426,039	1,631,675
Current year receipts	-	-
Conditions met – transferred to revenue	(1,029,053)	(205,636)
Unspent amount transferred to liabilities	396,986	1,426,039

The grants were used for various projects.

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.5 National: General Expenditure (CMIP)		
Balance unspent at beginning of year	-	63,475
Current year receipts	-	-
Conditions met – transferred to revenue	-	(63,475)
Unspent amount transferred to liabilities	-	-
20.6 National: Recovery Plan - DBSA		
Balance unspent at beginning of year	547,070	(918,059)
Current year receipts	325,825	3,043,304
Conditions met – transferred to revenue	(198,689)	(1,578,175)
Unspent amount transferred to liabilities	674,206	547,070
20.7 National: Recovery Plan -MSP		
Balance unspent at beginning of year	1,245,064	132,330
Current year receipts	1,500,000	2,000,000
Conditions met – transferred to revenue	(3,228,324)	(887,266)
Unspent amount transferred to liabilities (see note 14)	(483,260)	1,245,064
20.8 National: Recovery Plan -DPLG		
Balance unspent at beginning of year	364,447	1,415,458
Current year receipts	735,000	2,884,000
Conditions met – transferred to revenue	(1,295,918)	(4,049,561)
Adjustment	-	114,550
Unspent amount transferred to liabilities (see note 14)	(196,471)	364,447
20.9 Provincial: Electricity / Water Meters		
Balance unspent at beginning of year	221,297	371,669
Current year receipts	-	-
Conditions met – transferred to revenue	(17,302)	(150,372)
Unspent amount transferred to liabilities	203,995	221,297
20.10 Provincial : Zoar Water Project		
Balance unspent at beginning of year	-	55,764
Current year receipts	-	-
Conditions met – transferred to revenue	-	(55,764)
Unspent amount transferred to liabilities	-	-
20.11 Provincial : Calitzdorp Housing		
Balance unspent at beginning of year	-	-
Current year receipts	61,033	61,033
Conditions met – transferred to revenue	649,319	-
Unspent amount transferred to liabilities	710,352	61,033

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.12 Provincial: Clearing Projects		
Balance unspent at beginning of year	-	5,929
Current year receipts	-	-
Conditions met – transferred to revenue	-	(5,929)
Unspent amount transferred to liabilities	-	-
20.13 Provincial : Zoar Library		
Balance unspent at beginning of year	-	181,316
Current year receipts	-	-
Adjustments and transfers	-	4,298
Conditions met – transferred to revenue	-	(185,614)
Unspent amount transferred to liabilities	-	-
20.14 Provincial : Dried Fruit Van Wyksdorp		
Balance unspent at beginning of year	75,782	134,909
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(46,948)	(59,127)
Unspent amount transferred to liabilities	28,834	75,782
20.15 Provincial: Licensing		
Balance unspent at beginning of year	-	927
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(927)
Unspent amount transferred to liabilities	-	-
20.16 Provincial : General Greening		
Balance unspent at beginning of year	-	142,964
Current year receipts	-	-
Adjustments and transfers	-	7,644
Conditions met – transferred to revenue	-	(150,608)
Unspent amount transferred to liabilities	-	-
20.17 Provincial : Greening Ladismith		
Balance unspent at beginning of year	629	47,102
Current year receipts	-	-
Adjustments and transfers	-	(46,473)
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	629	629

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)	2009	2008
	R	R
20.18 Provincial: Greening Zoar		
Balance unspent at beginning of year	72,293	72,293
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(51,186)	-
Unspent amount transferred to liabilities	21,107	72,293
20.19 Provincial : Water Meters Zoar		
Balance unspent at beginning of year	468,931	424,464
Current year receipts	-	-
Adjustments and transfers	-	44,467
Conditions met – transferred to revenue	(143,903)	-
Unspent amount transferred to liabilities	325,028	468,931
20.20 Provincial: 132 KVA Sub Station		
Balance unspent at beginning of year	2,497,414	2,497,414
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	2,497,414	2,497,414
20.21 Provincial : Office Equipment		
Balance unspent at beginning of year	-	34,237
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(34,237)
Unspent amount transferred to liabilities	-	-
20.22 Provincial : GOR General Expenses		
Balance unspent at beginning of year	-	34,814
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(34,814)
Unspent amount transferred to liabilities	-	-
20.23 Provincial: Social Plan		
Balance unspent at beginning of year	-	63,983
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(63,983)
Unspent amount transferred to liabilities	-	-

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.24 Provincial : Housing LDS		
Balance unspent at beginning of year	66,113	194,815
Current year receipts	-	8,562,028
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(8,690,730)
Unspent amount transferred to liabilities	66,113	66,113
20.25 Provincial : IDP General		
Balance unspent at beginning of year	-	(48,194)
Current year receipts	-	-
Adjustments and transfers	-	48,194
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	-	-
20.26 Provincial: General Drought Relief		
Balance unspent at beginning of year	201,982	199,882
Current year receipts	2,100,000	-
Adjustments and transfers	-	2,100
Conditions met – transferred to revenue	(1,709,294)	-
Unspent amount transferred to liabilities	592,688	201,982
20.27 Provincial : Hydrologist Investigation		
Balance unspent at beginning of year	-	7,675
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(7,675)
Unspent amount transferred to liabilities	-	-
20.28 Provincial: Swimming Pool Calitzdorp		
Balance unspent at beginning of year	-	85,388
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(32,880)	(85,388)
Unspent amount transferred to liabilities	(32,880)	-
(see note 14)		
20.29 Provincial : Swimming Pool Ladismith		
Balance unspent at beginning of year	-	203,829
Current year receipts	-	-
Adjustments and transfers	-	(10,190)
Conditions met – transferred to revenue	(22,099)	(193,639)
Unspent amount transferred to liabilities	(22,099)	-
(see note 14)		

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.30 Provincial: Taxi Rank		
Balance unspent at beginning of year	412,730	620,871
Current year receipts	-	-
Adjustments and transfers	-	(25,561)
Conditions met – transferred to revenue	(93,217)	(182,580)
Unspent amount transferred to liabilities	319,513	412,730
20.31 Flood damage projects		
Balance unspent at beginning of year	103,460	800,000
Current year receipts	5,619,000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(923,192)	(696,540)
Unspent amount transferred to liabilities	4,799,268	103,460
20.32 Van Wyksdorp water research		
Balance unspent at beginning of year	31,466	31,466
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	31,466	31,466
20.33 Provincial : Umsobomwu		
Balance unspent at beginning of year	3,983	90,281
Current year receipts	250,000	-
Adjustments and transfers	-	550
Conditions met – transferred to revenue	-	(86,848)
Unspent amount transferred to liabilities	253,983	3,983
20.34 District Council		
Balance unspent at beginning of year	-	-
Current year receipts	-	25,000
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(25,000)
Unspent amount transferred to liabilities	-	-
20.36 National: Nissenville Roads		
Balance unspent at beginning of year	259,158	-
Current year receipts	5,355,000	300,000
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(6,055,134)	(40,842)
Unspent amount transferred to liabilities	(440,976)	259,158
(see note 14)		

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.36 Provincial -Sportgrounds Van Wyksdorp		
Balance unspent at beginning of year	-	-
Current year receipts	300,000	-
Adjustments and transfers	-	33,629
Conditions met – transferred to revenue	-	(33,629)
Unspent amount transferred to liabilities	300,000	-
20.37 District Council Housing		
Balance unspent at beginning of year	17,426	-
Current year receipts	-	17,426
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(4,296)	-
Unspent amount transferred to liabilities	13,130	17,426
20.38 Electrification 380 Erven Ladismith		
Balance unspent at beginning of year	-	-
Current year receipts	-	2,248,166
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	(2,248,166)
Unspent amount transferred to liabilities	-	-
20.39 District Council Zoar prepaid		
Balance unspent at beginning of year	-	-
Current year receipts	-	179,360
Adjustments and transfers	-	11,297
Conditions met – transferred to revenue	-	(190,657)
Unspent amount transferred to liabilities	-	-
20.40 Ladismith Electrical upgrading		
Balance unspent at beginning of year	751,834	-
Current year receipts	320,849	751,834
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(824,258)	-
Unspent amount transferred to liabilities	248,425	751,834
20.41 District Council Ladismith roads		
Balance unspent at beginning of year	-	-
Current year receipts	-	549,000
Adjustments and transfers	-	(88,939)
Conditions met – transferred to revenue	-	(460,061)
Unspent amount transferred to liabilities	-	-

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.42 Eden : Water		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(1,598,386)	-
Unspent amount transferred to liabilities	(1,598,386)	-
(see note 14)		
20.43 Department Water Affiars		
Balance unspent at beginning of year	-	-
Current year receipts	288,000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(394,746)	-
Unspent amount transferred to liabilities	(106,746)	-
(see note 14)		
20.44 Upgrading Sports Facility Calitzdorp		
Balance unspent at beginning of year	-	-
Current year receipts	250,000	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities	250,000	-
20.45 Upgrading of Streets Calitzdorp		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(126,429)	-
Unspent amount transferred to liabilities	(126,429)	-
(see note 14)		
20.46 Upgrading of Streets Van Wyksdorp		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(24,000)	-
Unspent amount transferred to liabilities	(24,000)	-
(see note 14)		

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

20. GOVERNMENT SUBSIDIES & GRANTS (continued)

	2009 R	2008 R
20.47 Upgrading of Streets Zoar		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	-	-
Conditions met – transferred to revenue	(24,000)	-
Unspent amount transferred to liabilities	(24,000)	-
(see note 14)		

20.48 Advert Costs - LAND USE & PLAN

	1,800	-
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments and transfers	(900)	-
Conditions met – transferred to revenue	900	-
Unspent amount transferred to liabilities		

20.49 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. INVESTMENT REVENUE

External investments	1,434,906	1,434,906
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22. OTHER REVENUE

Included in other income is the following:

Advertisement	-	19,737
Building Plan Fees	102,877	17,767
Sundries	1,182,459	1,182,325
Photocopies	2,289	491
Photocopies and Faxes	-	566
Rent Instalments	16,961	100,609
Building Of Graves	1,075	100
Subdivision / Rezoning	-	9,980
Circuit Breaker - Changes	-	84
Surplus Cash	-	1,323
Refridgeration	5,790	7,225
Sales Plots	36,746	23,120
Valuation Certificates	-	5,112
Telephone Recoveries	-	128,327
Swimmingpool Income	-	5,697
Learner and ID card licences	124,237	-
	1,472,434	1,502,464

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

23. EMPLOYEE RELATED COSTS

	2009 R	2008 R
Employee related cost - Salaries and wages	12,325,485	10,423,869
Employee related cost - Social contributions	2,443,936	1,885,746
Travel, motor car, accomodation & other allowances	884,101	1,186,429
Housing benefits and allowances	77,770	61,515
Overtime benefits	940,390	838,814
Contribution to leave gratuity	18,200	223,768
Less: Employee costs included in other expenses	(1,718,262)	(1,630,209)
	14,971,620	12,989,932

There were no advances paid to employees.

Municipal Manager

Annual remuneration	680,173	603,510
Performance Bonus	113,053	-
Council Contributions		
	793,226	603,510

Chief Financial Officer

Annual remuneration	515,951	441,091
Performance Bonus	60,211	-
Council Contributions	27,468	41,056
	603,630	482,147

Chief Corporate Services

Annual remuneration	543,420	482,459
Performance Bonus	60,211	-
Council Contributions		
	603,631	482,459

Director Technical

Annual remuneration	543,420	289,474
Performance Bonus	35,123	-
Council Contributions		
	578,543	289,474

24. REMUNERATION OF COUNCILLORS

Executive Mayor	501,358	378,844
Deputy Executive Mayor	405,096	311,859
Speaker	224,033	187,142
Councillors	879,770	977,732
	2,010,257	1,855,577

The Executive Mayor, Deputy Executive Mayor, Speaker and executive Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council.

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

25. FINANCE COSTS	2009 R	2008 R
Long-term liabilities	1,577,078	2,489,795
Total Interest on External Borrowings	1,577,078	2,489,795
26. BULK PURCHASES		
Electricity	12,767,725	9,772,703
Water	439,620	194,078
	13,207,345	9,966,781

27. CORRECTION OF ERROR

27.1 During the year ended 30 June 2008, finance lease liabilities were not raised.

The comparative amount has been restated as follows:

Correction of Finance Lease liability

Statement of Financial Position

Accumulated Surplus 2007	24,311
Finance Lease Liability	215,205
PPE	215,205

Statement of Financial Performance

General Expenses	190,894
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27.2 During the 2008 financial year Capital Grant Received was erroneously recognised as per IAS

20 as Deferred revenue and is now disclosed in accordance GAMAP 9.

Statement of Financial Position

Accumulated Surplus 2007	(2,501,731)
Government Grant Reserve	20,203,051
Accumulated Surplus 2008	(23,013,457)
Government Grant Reserve	23,013,457

Statement of Financial Performance

Government grants and subsidies received	34,804,974
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27.3 Due to incorrect cut-off procedures certain suppliers were not included under Trade Creditors.

This correction was made in the 2009 financial year.

Statement of Financial Position

Unspent Conditional Grants	(1,282,525)
Trade Creditors	1,282,525

Statement of Financial Performance

Government grants and subsidies received	(1,282,525)
Grants and subsidies paid	1,282,525

Net effect on Surplus/(Deficit) for the year

52,721,499

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

28. CHANGE IN ACCOUNTING POLICY

During 2009 the municipality had the infrastructure assets unbundled and moveable assets verified and valued, this had an impact on due to the Fair Value adjustment which had to be processed as at 30 June 2009

2009	2008
R	R
177,599,581	

30. RECLASSIFICATION OF ACCOUNTS

During the 2009 financial year, a number of accounts were reclassified in order to achieve a more accurate and transparent reflection of the account balances.

This reclassification impacts on the comparison of the 2008 financial statements with the 2008 disclosure in the 2009 financial statements.

31. CASH GENERATED FROM/(UTILISED IN) OPERATIONS

Net surplus for the year	189,547,936	34,536,932
Adjustment for:		
Correction of prior year error	192,782	(20,415)
Interest capitalised	-	2,141,192
Depreciation charges	461,616	3,011,301
Fair value adjustment	(177,599,581)	-
Increase/(Decrease) in provisions	(332,000)	1,232,000
Assets from grants	-	-
Interest received	(1,266,879)	(2,179,410)
Interest paid	1,577,078	2,489,795
Operating surplus before working capital changes	12,580,952	41,211,395
(Increase)/decrease in inventories	239,984	29,377
(Increase)/decrease in consumer debtors	(3,356,929)	(1,593,508)
(Increase)/decrease in other debtors	(2,701,307)	939,494
(Increase)/decrease in SARS receivable	1,519,098	-
Increase/(decrease) in conditional grants	2,019,576	(251,548)
Increase/(decrease) in trade payables	1,991,388	1,907,947
Increase/(decrease) in consumer deposits	32,514	17,829
Increase/(decrease) in SARS liabilities	3,941,717	(1,195,350)
Net cash from operating activities	16,266,993	41,065,636

NOTES

FOR THE YEAR ENDING 30 JUNE 2009

31. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003	2009 R	2008 R
31.1 Contribution to SALGA	77,588	-
Council membership fees payable	(77,588)	-
Amount paid current year	-	-
Balance unpaid (included in creditors)		
31.2 Audit Fees		
Current year audit fee	696,864	570,605
Amount paid current year	(696,864)	(570,605)
Balance unpaid (included in creditors)		
31.3 VAT		
VAT is payable on the invoice basis. VAT input receivables and VAT output receivable are shown in notes 3. All VAT returns have been submitted by the due date throughout the year.		
31.4 PAYE & UIF		
Opening balance	140,002	-
Current payroll deductions	2,14,633	1,983,747
Amount paid current year & previous year	(2,144,031)	(1,980,139)
Balance unpaid	142,604	3,608
31.5 Pension Fund & Medical Aid		
Opening balance	(3,064)	-
Current payroll deductions	3,575,328	2,985,951
Amount paid current year & previous year	(3,566,359)	(2,961,680)
Balance unpaid	5,905	24,271
32. COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for		
	9,952,660	17,780,000
The expenditure will be financed from:		
- Own Resources	-	30,000
- External Loans	-	3,800,000
- Government Grants	9,952,660	13,950,000
	9,952,660	17,780,000
33. CONTINGENT LIABILITIES		
The municipality's attorneys has advised that the municipality might incur future liabilities pending a Labour Appeal Court decision regarding possible unfair dismissal of 24 employees of the municipality. No reasonable estimation could be made regarding a possible future liability in this regard.		

APPENDIX A: SCHEDULE OF EXTERNAL LOANS

AS AT 30 JUNE 2009

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2008/06/30	Received during the period	Adjustments	Redeemed written off during the period	Balance 2009/06/30	Carrying Value of Property, Plant and Equipment	Other Costs in accordance with the MFMA
LONG- TERM LOANS									
ABSA: LDS - 132 kVa Substation @ 11,50%		01/12/2008	454,777	-	-	(454,777)	-	-	-
Bankfin: CAL - Electrical Meters @ 14,55%		01/10/2007	-	-	-	-	-	-	-
DBSA: Consolidated Loans @ 12,50%		30/06/2017	11,543,631	-	(1,346)	(286,657)	11,255,627	-	-
DBSA: Consolidated Loans @ 0%			6,952,457	-	-	-	6,952,457	-	-
			18,950,865	-	(1,346)	(741,434)	18,208,085	-	-
LEASES									
Finance Lease - NRB			11,803	-	-	(4,786)	7,018	-	-
Finance Lease - Technofin			195,164	-	-	(43,177)	151,986	-	-
Finance Lease - ABSA			1,496	-	-	(1,496)	-	-	-
Finance Lease - Nashua George			6,741	-	-	(2,299)	4,442	-	-
Total leases			215,204	-	-	(51,758)	163,447	-	-
TOTAL EXTERNAL LOANS			19,166,069	-	(1,346)	(793,192)	18,371,532	-	-

Development Bank Loan No WC 103021

During 2008 the loan from DBSA has been consolidated and rescheduled to an amount of R 11,587,526.79, repayable in 180 monthly installments commencing on 31 May 2008 with a fixed interest rate of 12.50% per year. An amount of R 6,952,465.76 will be carried as a long term liability but will be written-off over a period of three years from the effective date on the condition that the borrower meets the agreed milestones set out in the agreement.

ABSA Loan No 30-1109-3231

The loan to ABSA carried an interest rate of 11.50% and was settled during the current financial year

APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Historical Cost				Accumulated Depreciation				Carrying Value R
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	Disposals R	
Land and Buildings									
Land	268,987	(268,987)	-	-	-	-	-	-	-
Buildings	200,025	(200,025)	855,344	-	855,344	80,083	-	80,083	855,344
	469,012	(469,012)	855,344	-	855,344	80,083	-	80,083	855,344
Infrastructure									
Boreholes	-	1,268,727	-	-	1,268,727	-	-	-	1,268,727
Fencing	99,289	848,454	-	-	947,743	99,289	-	99,289	947,743
Electricity Distribution	877,484	50,763,635	-	-	51,641,119	87,989	-	87,989	51,641,119
Meters	280,000	-	-	280,000	-	70,115	-	70,115	-
Meters	19,021	-	-	19,021	-	15,230	-	15,230	-
Other Roads	4,664,071	-	-	4,211,513	452,558	4,664,071	-	4,664,071	452,558
Purification	5,419,368	-	-	5,419,368	-	3,254,590	-	3,254,590	-
Reservoirs and Dams	4,609,752	18,004,451	-	-	22,614,203	2,137,997	-	2,137,997	22,614,203
Roads	-	30,482,068	7,917,534	-	38,399,601	-	-	-	38,399,601
Road Furniture	-	102,074	-	-	102,074	-	-	-	102,074
Security Systems	4,900	-	-	4,900	-	4,495	-	4,495	-
Sewerage Pumps	420,413	1,090,607	-	-	1,511,020	336,637	-	336,637	1,511,020
Sewers	31,302,120	10,952,854	1,205,253	-	43,460,227	3,223,809	-	3,223,809	43,460,227
Sewer Treatment	-	8,957,908	-	-	8,957,908	-	-	-	8,957,908
Solid Waste	-	96,924	-	-	96,924	-	-	-	96,924
Sludge Machines	8,396	-	-	8,396	-	6,723	-	6,723	-
Stormwater Drainage	5,902,469	984,178	591,205	-	7,477,852	3,544,716	-	3,544,716	7,477,852
Streetlights	-	2,636,720	-	-	2,636,720	-	-	-	2,636,720
Water Supply and Reticulation	14,123,084	26,707,519	2,068,244	-	42,898,847	6,225,079	-	6,225,079	42,898,847
Water Connections	-	1,619,878	-	-	1,619,878	-	-	-	1,619,878
Water Supply / Reticulation	6,712,835	-	-	6,712,835	-	2,256,269	-	2,256,269	-
Water Pump Stations	-	2,067,764	-	-	2,067,764	-	-	-	2,067,764
Water Purification	-	8,295,351	-	-	8,295,351	-	-	-	8,295,351
Taxi Ways	182,579	833,559	101,499	-	1,117,637	5,102	-	5,102	1,117,637
Transformers kiosk	29,568	-	-	29,568	-	11,838	-	11,838	-
	74,655,349	165,712,670	11,883,734	16,685,601	235,566,153	25,943,949	-	25,943,949	235,566,153

APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Historical Cost						Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R		Opening Balance R	Additions/ Transfers R	Disposals R	Closing Balance R
Community Assets										
Cemeteries	-	802,329	-	-	802,329		-	-	-	-
Community Centrum	1,042,587	-	-	1,042,587	-		417,415	-	417,415	-
Clinics / Hospitals	40,000	-	-	40,000	-		16,015	-	16,015	-
Libraries	1,495,728	-	-	1,495,728	-		316,675	-	316,675	-
Sport Grounds	443,825	2,541,126	-	-	2,984,951		165,744	-	165,744	-
Parks	317,800	-	3,466	316,667	4,599		114,819	-	114,819	-
Public Convene	115,436	-	-	115,436	-		46,216	-	46,216	-
Stadiums	45,267	-	-	45,267	-		1,517	-	1,517	-
Tennis Courts	73,009	971,907	-	-	1,044,916		43,846	-	43,846	-
Swimming pools	279,027	2,832,293	54,979	-	3,166,299		7,141	-	7,141	-
Recreation center	29,499	-	-	29,499	-		550	-	550	-
	3,882,178	7,147,654	58,445	3,085,184	8,003,094		1,129,938	-	1,129,938	-
Heritage Assets										
Historical Buildings	-	-	-	-	-		-	-	-	-
Painting and Art Galleries	-	-	-	-	-		-	-	-	-
	-	-	-	-	-		-	-	-	-
Housing Rental Stock										
Housing Rental 1	-	-	-	-	-		-	-	-	-
Housing Schemes	13,152,693	-	-	-	13,152,693		1,637,675	-	-	1,637,675
	13,152,693	-	-	-	13,152,693		1,637,675	-	-	11,515,018
Total carried forward	92,159,232	172,391,312	12,797,523	19,770,785	257,577,284		28,791,645	-	27,153,970	1,637,675
										255,939,609

APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

	Historical Cost				Accumulated Depreciation			Carrying Value R
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	
Total brought forward	92,159,232	172,391,312	12,797,523	19,770,785	257,577,284	28,791,645	-	522,939,609
Other Assets								
Computer Equipment	958,729	801,312	-	-	801,312	795,836	-	599,959
Computer Software	399,264	441,204	-	-	441,204	357,442	-	275,093
Emergency Equipment	-	29,533	-	-	29,533	-	6,874	22,659
Farms	122,500	-	-	-	-	49,045	-	-
Furniture and Fittings	81,830	1,007,828	-	44,460	1,007,828	71,441	217,325	719,062
General	900,111	553,755	-	-	509,295	467,084	-	384,166
Machinery and Equipment	128,126	346,963	-	-	346,963	124,340	15,128	207,495
Municipal Housing	192,400	-	-	-	-	77,029	-	-
Office Buildings	2,660,017	-	-	-	-	693,113	-	-
Office Equipment	463,634	403,409	-	-	403,409	463,634	-	273,808
Tip Sites	288,342	-	-	-	-	115,442	-	-
Transport Facilities	1,109,215	-	-	-	-	102,175	-	-
Vehicles	2,497,645	4,636,858	-	-	4,636,858	1,091,181	254,120	3,291,557
	9,801,813	8,220,862	-	44,460	8,176,402	4,407,762	493,447	5,773,799
Total: Property, Plant and Equipment	101,961,045	180,612,174	12,797,523	19,815,245	265,753,686	33,199,407	493,447	261,713,408

APPENDIX C: SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2009

	Historical Cost				Accumulated Depreciation				Carrying Value R																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
	Opening Balance R	Additions/ Transfers R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions/ Transfers R	Disposals R		Closing Balance R																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
EXECUTIVE COUNCIL Executive Council FINANCE & ADMINISTRATION Finance Information technology Human resources Property services Other & admin PLANNING & DEVELOPMENT Planning & development ROAD TRANSPORT Vehicle licensing & testing Roads & stormwater Roads other HEALTH Clinics Health other COMMUNITY & SOCIAL SERVICES Libraries & archives Community halls & facilities Cemeteries & crematoriums PUBLIC SAFETY Fire Traffic ENVIRONMENTAL PROTECTION Environmental Protection SPORT & RECREATION Sport & recreation WASTE WATER MANAGEMENT Sewerage Public toilets WASTE MANAGEMENT Solid waste HOUSING Housing OTHER Other WATER Water distribution Water storage ELECTRICITY Electricity distribution Street lighting TOTAL																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														

APPENDIX D: DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Actual Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Actual Surplus/ (Deficit) R
42,037,171	9,537,136	32,500,035	Executive & Council	33,808,446	17,053,012	16,755,433
16,918,973	13,909,620	3,009,353	Finance & Admin	4,873,903	14,499,560	(9,625,657)
61,188	344,422	(283,234)	Community & Social Services	76,536	799,675	(723,139)
100,609	738,043	(637,434)	Housing	99,757	768,779	(669,022)
11,626	272,149	(260,523)	Sport & recreation	-	388,173	(388,173)
3,364,556	3,876,960	(512,404)	Waste Management	5,080,149	2,618,187	2,461,961
3,778,153	2,785,239	992,914	Waste Water Management	5,578,823	2,274,856	3,303,967
1,362,116	3,177,212	(1,815,095)	Road Transport	2,369,502	3,628,668	(1,259,166)
5,237,499	5,073,545	163,954	Water distribution	5,137,044	4,468,215	668,828
14,110,551	12,873,652	1,236,899	Electricity	16,368,851	15,138,033	1,230,818
86,982,443	52,587,978	34,394,465	Total	73,393,010	61,637,159	11,755,851

APPENDIX E I : ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	6,634,956	9,609,200	(2,974,244)	(31)	
Service charges	26,544,246	27,133,620	(589,374)	(2)	
Rental of facilities and equipment	308,469	197,160	111,309	56	
Interest earned – external investments	1,266,879	804,700	462,179	57	
Interest earned – outstanding debtors	840,421	738,910	101,511	14	
Fines	-	1,330,500	(1,330,500)	(100)	
Licensing & permits	1,960,769	4,460	1,956,309	43,863	
Revenue for agency services	-	132,500	(132,500)	(100)	
Government grants & subsidies – operating	611	27,266,000	(27,265,389)	(100)	
Government grants & subsidies – capital	27,962,818	-	27,962,818	#DIV/0!	
Public contributions, donated and contributed property, plant and equipment	373,343	-	373,343	#DIV/0!	
Other revenue	908,022	531,040	376,982	71	
Total Revenue	66,800,533	67,748,090	(947,557)	(1)	

APPENDIX E I : ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual R	2009 Budget R	2009 Variance R	2009 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related cost	14,971,620	17,766,180	(2,794,560)	(16)	
Remuneration of councillors	2,010,257	1,994,480	15,777	1	
Bad debts	4,313,540	100,000	4,213,540	4,214	
Collection costs	15,108	5,000	10,108	202	
Depreciation and amortisation	461,616	3,973,080	(3,511,464)	(88)	
Repairs and maintenance	1,814,825	2,403,920	(589,095)	(25)	
Finance cost	1,577,078	1,741,880	(164,802)	(9)	
Fines Paid	30,218	9,720,200	(9,689,982)	(100)	
Bulk purchases	13,207,345	17,902,500	(4,695,155)	(26)	
Contracted Services	-	-	-	#DIV/0!	
Grants and subsidies paid	1,266,106	50,000	1,216,106	2,432	
General expenses	15,376,969	7,138,860	-	-	
Provision for Landfill site	-	-	-	-	
Total Expenditure	55,044,682	62,796,100	(15,989,527)	(25)	
Fair Value Adjustment	177,746,301				
NET SURPLUS/(DEFICIT) FOR THE YEAR	189,502,152	4,951,990	15,041,970		

NOTES